



INTRODUCTION

This Part of the *2003-2004 Biennial Budget* presents supplemental information in several appendices.

Included are the following:

A copy of the December 16, 2002 Budget Motions #200206113 and 200206114;

A copy of the 2003-2004 Biennial Resolution adopted by the City Council;

A copy of the Managed Competition Policies and Guidelines;

A staffing plan by City agency;

A copy of the City Reorganization Plan;

A glossary that may help the budget reader to better understand the document;

A copy of the descriptions of individual funds and account groups from the City's Comprehensive Annual Financial Report (CAFR) for the year ending December 31, 2001;

A copy of the Cincinnati Neighborhood Investment Reserve guidelines; and,

Adjustments to the Mayor's 2003-2004 Recommended Budget.

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City of Cincinnati



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John Cranley
Member of Council
City of Cincinnati

COMMITTEES

Finance
Chair

Law and Public Safety
Member

Neighborhood & Public Works
Member

200206113

December 16, 2002

Motion

WE MOVE that the Mayor's Budget be approved with the following changes:

WE MOVE that the Community Development Department be renamed the Community Development and Planning Department and that an employee of the City Manager's choosing be named the Chief Planner for the City of Cincinnati provided that the Chief Planner remain under the supervision of the Community Development and Planning Department Director.

WE MOVE that the Small Business Division be prioritized and oversee Contract Compliance (moved from the Purchasing Division), Prompt Pay and small business loans, etc.

General Fund

WE MOVE that the parking meter fund be used to restore NSP funding and the necessary administrative support in 2003 – 2004 and be extended indefinitely, and that the NSP contract be changed to allow for communities to use NSP funds to support off-duty police services in their neighborhood to enhance police visibility.

WE MOVE that \$25,000 from the Regional Marketing Partnership funding be allocated to the Visitors Bureau to support Multicultural Tourism Marketing.

WE MOVE that the "Cincinnati on the Move" marketing campaign for the City encouraging tourism that creates jobs and contributes to the local economy such as Tall Stacks (\$200,000 – already in Mayor's budget); Riverfront Football Classic (\$95,000 for 2003 and 2004 – 2003 already in Mayor's budget); and Multicultural Tourism Marketing (\$25,000 – see above) through the Convention Visitors Bureau.

WE MOVE that the following annual cuts be made to the General Fund valued at a total of \$271,594.00:

\$90,000 annually from the City's Department for the Elections Commission
\$20,000 annually for the Sister Cities Association
\$161,594 for the Computer Learning Lab

WE MOVE that the following additions from the \$271,594.00 in savings to the General Fund be made for a total of \$270,000.00:

- \$75,000 of the General Fund dollars be restored to the Citizens' Committee on Youth.
- \$25,000 Poison Information Program of Children's Hospital Medical Center (to the extent possible, the Health Department will provide an additional \$50,000 to this service)
- \$30,000 Cincinnati Human Relations Commission (Monitors)
- \$100,000 annual operating grant to Main Street Ventures to match the \$100,000 grant of the Hamilton County Commission
- \$25,000 Greater Cincinnati Film Commission
- \$15,000 International Visitors Center

WE MOVE that the following changes be incorporated into the City Manager's Recommended Department of Community Development Human Services 2003-04 General Fund Operating Program Budget:

Reductions:

(\$50,000) Three Square Music Foundation
(31,450) Jobs for Cincinnati Graduates
(25,000) Adolescent Health Center
(20,000) Serving Older Adults Through Changing Times

(126,450) Total

Additions:

\$10,000 Inclusion Network, Inc.
20,000 Lighthouse Youth Services, Inc, Youth Development
16,450 Mercy Connections
15,000 Santa Maria Community Services
15,000 Mallory Center, Computer COP Program
10,000 Center for Comprehensive Alcoholism Treatment
10,000 Inner City Youth Opportunities
10,000 YWCA of Greater Cincinnati, Strong Girls/Healthy Girls
10,000 Talbert House, Halfway Houses
10,000 Free Store/Food Bank, Inc.

126,450 Total

WE MOVE that all Human Services program funding be conducted on an "outcome based funding" model such as the model used by the Greater Cincinnati United Way.

WE MOVE that all Human Services Agencies be funded through the same competitive process beginning in 2004.

WE MOVE that the Human Services Policy be allocated consistent with the priorities of Cincinnati City Council.

WE MOVE that all programs under CICA contracts funded by Workforce Investment Act and Department of Labor dollars not be renewed and those funds merged into the regional One-Stop Shop effort, competitively bid, or used in other ways as determined by the Workforce Policy Board:

- Community Wide Capacity Building Youth Offender Project (\$128,619)
- Youth Development Practitioner Apprenticeship Project (\$100,000)
- Special Dislocated Worker Grant for Ayava Communications (\$80,010)
- Staff Support and Accounting Services (\$1,019,414)

Community Development Block Grants

WE MOVE that \$3,267,280 million dollars in CDBG funds be reprogrammed for programs aimed at safety, blight removal, litter control and weed abatement in qualifying neighborhoods. Our most important priority has to be creating a cleaner and safer City. The Administration should work with Council to develop new programs in line with these priorities. **One million dollars** of these funds should be set aside to support a blighted property Receivership Program, matching community and private efforts to take back blighted properties. The City portion of the receivership process should be used to support the stabilization and renovation of strategic blighted buildings into residential and mixed-use opportunities.

The additional resources will come from redundant homeowner programs as well as a number of service agencies that do not provide direct services.

Item	Estimated Savings	
	2003	2004
Employment Initiatives Program	\$279,039	\$279,039
Van Pooling Service*	\$187,601	\$187,601
Housing Counseling Services	\$92,000	\$92,000
Homeowner Infill & Rehab Program	\$150,000	\$150,000
Neighborhood Revitalization Program	\$100,000	\$100,000
Homesteading	\$1,000,000	\$1,000,000
TOTAL	\$3,617,280	

* This service can be transitioned into Metro operations, which already spends \$167,200 to support the leasing of the vans, other operating costs, and some labor costs, and should be coordinated with the workforce policy board's priorities. Metro has expressed a willingness to consider operating this program.

WE MOVE that \$50,000 in CDBG funds be set aside for both 2003 and 2004 for financial literacy and EITC Outreach efforts, as approved by City Council in a unanimous motion.

WE MOVE that \$100,000 in CDBG funds be set aside for both 2003 and 2004 to support a Drughouse Shutdown Initiative – a joint police, building & inspections, legal and other department efforts to target, shut down or abate nuisance properties that serve as the source of illegal drug activity.

WE MOVE that \$125,000 in CDBG funds be spent in both 2003 and 2004 to support the renovation of the Central Clinic, an eighty year old community mental health clinic in Avondale that serves over 50,000 persons yearly, including children and the homeless, the majority of whom live in the City, and ninety-five percent of whom are under the federal poverty line.

WE MOVE that \$75,000 of CDBG funds be set aside for a neighborhood pride center on Burnet Ave. to deal with crime and litter.

WE MOVE that the following CICA contracts be competitively bid:

- Job Training and Litter Control Program (projected \$253,000 under 2003 CDBG budget)
- Any other contracts (not addressed elsewhere in this Motion) where CICA provides direct services to the City

Anthem

WE MOVE that \$1 Million in Anthem Funds be used each of the next two years to create a Safe and Clean Neighborhood Fund. This Fund will be used to provide matching support for citizen- and community-led initiatives to improve safety in neighborhoods through the problem-solving approach, and to add police visibility in neighborhoods. A more detailed summary is attached.

WE MOVE that the annual Capital Arts Allocation be \$2.2 Million for 2003 and 2004, respectively, and include \$20,000 annually for the capital budget for the Arts Consortium.

WE MOVE that \$15 Million of the Neighborhood Reserve Fund be allocated to the \$100 Million Revolving Loan Fund for market rate residential housing program consistent with a forthcoming Memorandum of Understanding with Local Banks who will commit \$85 Million.


WE MOVE that the recommended \$13.8 Million for the Recreation Department rehabilitation recommendations not come from Anthem funds but instead come from the \$7 Million Over-the-Rhine Facility and savings from Managed Competition.

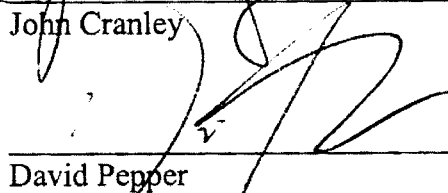
WE MOVE that the \$13.8 Million previously allocated for the Recreation Center rehabilitation recommendations and the \$8.5 Million left in the Neighborhood Reserve Fund (\$22.3 Million total) not be spent to support a project unless Council agrees and the project includes a significant (ideally, a 3-1) match of private and/or public investment, and that it, 1) creates economic development and growth in City neighborhoods *or* 2) supports a capital neighborhood project that would enhance the Cincinnati Public School Master Facilities Plan.

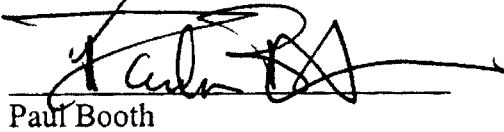
WE MOVE \$1 Million of the \$4 Million neighborhood Market Rate Fund of the Anthem Money be reserved for potential mixed-income capital redevelopment projects for Huntington Meadows and/or the implementation of the Seymour Rd./Bond Hill/Roselawn Redevelopment Plan.

Capital Budget

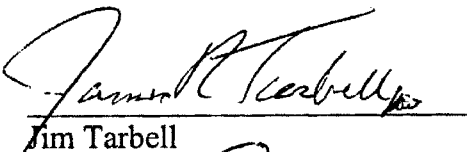
WE MOVE that the \$7.0 million for the new Over-the-Rhine facility be eliminated and be reprogrammed to meet the Recreation Department's request for rehabilitating existing recreation centers.

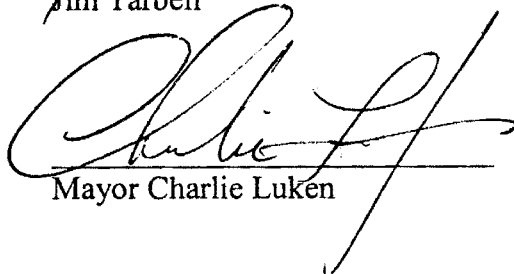

John Cranley

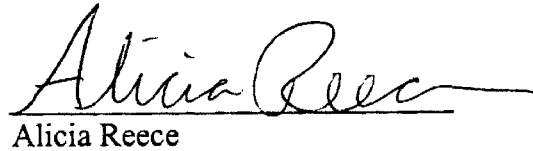

David Pepper

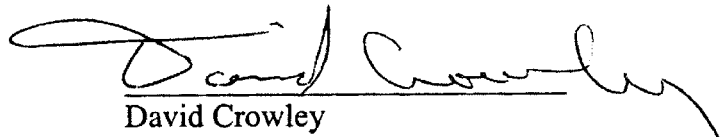

Paul Booth


Pat DeWine


Jim Tarbell


Mayor Charlie Luken


Alicia Reece


David Crowley


Minette Cooper


Chris Monzel

200206114

MANAGED COMPETITION

WE MOVE that the City Manager fully implement managed competition and that the first \$2 Million in operating savings go to maintain the Recycling and Yard Waste Program and the next \$6 Million go to the Recreation Department's requests to rehabilitate Recreation Centers and:

- a) That, in accordance with the consultant's recommendations and consistent with the Guidelines unanimously approved by City Council, the Administration hire a Competition Czar to oversee the managed competition process and to focus on cost savings and competitive measures such as the sale of unnecessary assets. The Competition Czar shall be a person who is not currently a City employee and who will report directly to the City Manager.
- b) That the BET implement the unanimously approved managed competition process to issue RFPs for at least \$25 million in services by the end of 2003.
- c) That the BET pursue within the next two years the managed competition process for all of the services identified by the consultant in his September 13, 2002 report. The Consultant identified over \$101,947,123 in services that should go through a competitive process and an estimated savings of over \$8.5 million. The City should implement these recommendations.


John Cranley

Alicia Reece


David Pepper

David Crowley



Paul Booth

Minette Cooper


Pat DeWine


Chris Monzel


Jim Tarbell


Mayor Charlie Luken

RESOLUTION NO. ~~7-0082~~ - 2002

200205477

ADOPTION of the City of Cincinnati Policy Budget.

WHEREAS, the City of Cincinnati City Council adopts a biennial budget for operating and capital purposes; and

WHEREAS, the City of Cincinnati City Council intends to guide the direction of the biennial budget through early input and direction provided to the City Manager; and

WHEREAS, the City of Cincinnati City Council has reviewed materials submitted by the City Manager;

Now, therefore, the City of Cincinnati City Council adopts this Policy Budget Resolution directing the City Manager to provide a biennial budget to the City Council using the guidelines included herein:

The overall intent of the City Council is to encourage development of a budget that will make the City organization smaller and more efficient, while allowing additional investment for infrastructure maintenance, neighborhood investment, capital investment, and economic development.

The City Manager's proposed 2003-2004 Budget shall include:

Collaborative

1. The necessary expenses associated with complying with the Racial Profiling Class Action Lawsuit/Collaborative Settlement.

Police Department

2. The necessary expenses associated with keeping the City's commitment to add 75 new police officers by hiring the remaining 45 officers for street strength as City Council committed on October 3, 2001.

Maintaining Neighborhood Investments

3. A capital budget that consists of:
 - a) Consistent with recent policy, a \$22,000,000 transfer from the general fund to the capital budget for the City's commitment to neighborhood investments;
 - b) All proceeds from the Anthem HMO demutualization (\$54,760,689.90) remain in a separate capital budget for neighborhood investment;

- c) Capital Budget should cooperate with Cincinnati Public Schools' Facilities Master Plan to complement and supplement expenditures made on school construction with affected neighborhoods in this biennium to leverage planned investment in areas surrounding Neighborhood Learning Centers;
- d) Providing \$2 million in each year of the biennial budget for capital arts funding; and
- e) Providing \$7 million in each year of the biennial budget for a loan fund that includes low interest and forgivable loans for market rate new construction and rehab housing.

Quality of Life

- 4. The City Manager's proposed budget should specifically demonstrate that it is focused on improving the enforcement of quality of life measures, such as weed and litter control, panhandling violations, noise ordinances, graffiti reduction, removal of abandoned cars, building code violations, and the like.

Compassion

- 5. The Human Services Policy, which sets aside 1.5% of the general fund for subsidizing non-profit social services for the homeless, the disabled and AIDS victims, remain funded at 1.5% of the general fund; the budget should demonstrate the quality of care provided by the City's health care clinics will remain the same or better; Youth Employment funding should be maintained or enhanced

Economic Development

- 6. Creating and adequately funding a "Small Business Division" to provide small businesses with services such as loan and grant programs as well as other technical and general business support services.
- 7. Re-evaluate city subsidies so that when subsidies are provided, there must be clear criteria of when they are appropriate and how and in what form they are best designed to maximize return on the City's investment.

Cuts

- 8. The elimination of 60 currently vacant positions (of the 186 general fund vacancies) that Council called for on December 19, 2001.
- 9. Insurance billing when fire trucks respond to the scene of motor vehicle accidents as Council called for on May 7, 2002.
- 10. To tackle the \$26.5 million deficit in 2003 and \$20 million deficit in 2004, the City Manager should have leeway to cut waste in any department, but should specifically prioritize and indicate the cuts necessary to balance the budget come from non-basic services. Specifically, non-basic services include any operating expense related to anything other than safety, maintenance of city parks, garbage collection, sewers, snow removal, street repair, water and quality of life issues

listed above in #4. In addition, the City Manager should move quickly to examine how creative financing might allow traditional separate funds to aid in deficit reductions. The Administration should take a broad look at how we manage our City assets. For example, rather than purchasing new vehicles ("fleet replacements"), could we finance these replacements more effectively by leasing vehicles? Can golf courses outside the city, like Neuman and Glenview be sold? Can the Blue Ash airport be sold? The Administration should also examine ways to get more out of our city dollars, including looking into purchasing holidays and hiring an independent actuary to determine if the City's annual contributions fund might be modified.

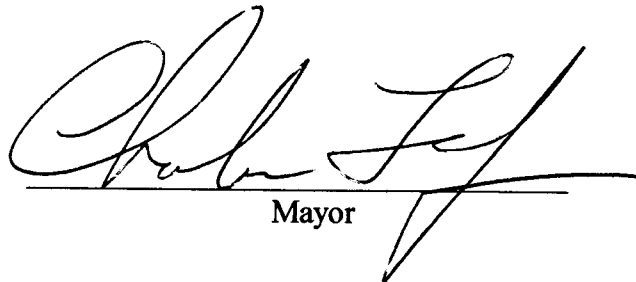
11. The Administration should develop and implement a Managed Competition process where services are put out for bid and RFPs will be returned with enough time that at budget time the Council can make decisions based upon the actual savings that may be achieved through managed competition measures.
12. The City Manager's proposed budget should not recommend raising the property tax rate above 5.4 mills.

BE IT RESOLVED by the Council of the City of Cincinnati, State of Ohio:

That the Council adopts the City of Cincinnati Policy Budget; and

That a copy of this resolution be spread upon the minutes of the Council.

Passed June 26, 2002


Mayor

Attest Gusela Williams
Acting Clerk

City of Cincinnati



Interdepartmental
Correspondence Sheet

November 25, 2002

To: Mayor and Members of City Council

From: Valerie A. Lemmie, City Manager

Subject: Managed Competition – Overall Policies and Guidelines for Implementing
Managed Competition Across the City Organization

Document #200205982

With passage of the City's 2002 budget, City Council directed the administration to engage in a managed competition process for specific City services. Since that time, there have been a number of reports presented and direction provided by City Council on policies and guidelines for implementing a managed competition process. Coupled with this feedback, the administration secured the services of CGS Consulting, LLC to assist with developing final policies and guidelines for implementing managed competition across the City organization.

These guidelines were developed with the input of a taskforce made up of City staff as well as the presidents of the City's AFSCME local unions. In developing the policies, the taskforce used the following mission as its guiding principal:

"The goal of the City is to find the most efficient way of delivering cost effective, quality City services which seek to realize the customers' expectations. As with any government agency, the goal of City agencies should be to provide value to the public with the public's money."

Attached is a document for City Council consideration titled "Policies and Guidelines for Implementing Managed Competition Across the City Organization." This document outlines the proposed policies in seven key areas. The City would follow these guidelines when pursuing any managed competition process for a City service. A managed competition process would be the search for a private contractor to provide the full range of services currently provided by City employees in an operation. The policies cover such areas as: 1. how additional services for consideration in the managed competition process will be identified, 2. wage and benefit requirements for contractors submitting bids, and 3. the transition of employees being displaced by services contracted out.

It should be pointed out that these policies are the overall guidelines that would be followed in any managed competition process for City services. Because different services have different delivery and operation requirements, additional policies and guidelines would be developed and incorporated in the requests for proposals (RFP's) for specific services. For example the terms and conditions necessary for operation of a convention center will be different than the terms and conditions for operating a vehicle parts inventory operation.

Finally I have also attached the consultant's report and recommendations so that you can see in detail the consultant's feedback on the guidelines initially developed by the city taskforce.

It is recommended that City Council approve the attached policies and guidelines for implementing a managed competition process in the city.

cc: David E. Rager, Director, Water Works

A handwritten signature in blue ink, appearing to read "David E. Rager", is written over the "cc:" line.

Attachment 1: Policies and Guidelines for Implementing Managed Competition Across
the City Organization

Attachment 2: CGS Consulting Report

City of Cincinnati

Policies and Guidelines for Implementing Managed Competition Across the City Organization

1. Business Evaluation Team – a continuous process for evaluating managed competition opportunities

It is the responsibility of the staff within departments to determine the most effective and efficient method of delivering services. Towards that end departments are expected to continuously evaluate whether providing a service with either internal or external personnel results in improved service delivery and/or reduced cost. To assist departments with the process, a Business Evaluation Team will be created within the city administration. The City's Budget and Evaluation Office will staff the Business Evaluation Team (BET). To insure that the BET is following the direction and guidelines of the City Council and City Manager, an advisory working group will be created, made up of the City Budget Director, two representatives from operating departments, a representative from the city's internal audit functions, and the president from one of the city's AFSCME local unions.

Working with departmental management and consistent with direction of the City Council and City Manager, the Business Evaluation Team (BET) will develop a running list (Project List) of potential Managed Competition projects involving City services. At least quarterly, the BET will evaluate the Project List and determine those projects that are likely to be completed within the next year (Short-Term Projects). For each Short-Term Project, the BET will meet with departmental management and employee representatives, as necessary, to discuss and agree on the timetable leading up to the issuance of the RFP for that Short-Term Project.

Following the BET's development of the timetable for the release of the RFP for the Short-Term Project, department management and employee representatives should decide on the degree to which a full-scale re-engineering of the service is warranted in order to prepare for the RFP. If they decide that an Employee Team will indeed compete for the right to continue to provide the service, they will begin the re-engineering process with a Service Review. The Service Review would identify exactly what is the service being delivered, what performance measures are being used to determine levels of customer satisfaction with the service, and what resources (equipment, materials, and personnel) are being used to deliver the service. While all Short-Term Projects shall include a Service Review stage, the City may conduct other Service Reviews of services that will not be subject to Managed Competition. That is, department management, working with its employees, may complete Service Reviews of other City services without being required to move into a Managed Competition if the particular City service is not included on the Project List.

The department would then complete a Process Review to determine what internal changes, if any, could be made to the delivery of the service that would result in improving the service and/or costs. It is possible that the department will need outside expert services to assist with this Process Review. This Process Review will likely result in the development of the Employee Team's "ideal" organization and process for delivering the service - the Most Efficient Organization (MEO). Once process improvements are identified, then a detailed budget identifying the capital investment and operational costs of the MEO would be developed. The detailed budget, which would include an appropriate share of departmental overhead and some portion of the cost of project-specific expert services used in developing the re-engineered process (as determined by the BET), then becomes the benchmark for comparison and is incorporated into the Employee Team's response to the RFP.

As the departmental Employee Team is conducting the Service and Process Reviews in anticipation of an RFP, the BET proceeds with the development of the RFP with the assistance of departmental Subject Matter Experts (SME's), as required. Those departmental personnel assisting the BET with the development of the RFP may not jointly participate in the development of the Employee Team's MEO. As the RFP is finalized and released, the BET will treat the competing Employee Team and Contractor(s) as equivalently as is reasonably possible. If a Contractor proposal guarantees projected total costs lower than the Employee Team's benchmark MEO for the same level of service, then the department proceeds with contracting with the lowest and best bidder, in this case the Contractor. If the Employee Team is determined to have the lowest and best bid, then the Employee Team's MEO operational and financial commitments shall be captured in a Memorandum of Understanding (MOU) that shall function similarly to an external contract in that persistent failure to meet the commitments of the MOU shall result in termination of the agreement with the Employee Team and a move to find an alternative provider of services.

The BET shall be a standing organization tasked with conducting the bidding process with Employee Teams and Contractors. The tasks of the BET would include: 1) Developing the Project List; 2) Working with departmental management to identify Short-Term Projects and associated timetables; 3) Developing RFPs to ensure the City's overall terms and conditions are incorporated in the bid; 4) Evaluating bids from Employee Teams and Contractors, including comparing costs and service commitments; and 5) Ensuring that adequate contract monitoring procedures are put in place by the overseeing department, whether the service provider be a Contractor or an Employee Team.

In order for the Managed Competition initiative to succeed over the long term, the City must create a dedicated, independent BET with appropriate authority, staffing, and resources. The BET will have at least one full-time, dedicated member and should have appropriate access to, as needed, skilled analyst support from the following agencies: Internal Audit Division; Budget and Evaluation Division; Purchasing Division; Law Department; Office of Contract Compliance. In addition, departmental SME's will support the work of the BET on a project-by-project basis, as needed.

The BET will confirm that all bids demonstrate the following:

- Compliance with all applicable laws and regulations;
- Compliance with Equal Employment Opportunity policies of the City;
- The City's Equal Business opportunity requirements;
- The financial stability of the service provider;
- The capacity of the service provider to perform the service;
- The existence of written safety policies and safety records.

2. Wages

Contractors will be required to comply with the current terms and conditions of the city's living wage ordinances and policies. Bids that do not comply with the living wage provisions (i.e. \$8.70 per hour with health care benefits or \$10.20 per hour without health care benefits for full-time positions) will be considered non responsive and not included in the bid evaluation process.

The RFP will require bidding contractors to provide detailed information on employee compensation programs, including all wage rate information (including wage ranges) for all positions performing duties associated with the contracted service. The Business Evaluation Team (BET) will compare this information to the compensation currently provided to City employees. The RFP will stipulate that evaluation of the proposals will include a review of the compensation plan offered by the contractor and the evaluation of proposals will include a review of the entire compensation package including wages and benefits.

3. Transition of Employees Displaced by Managed Competition

If it is determined that a service previously provided by City employees should be granted to a private contractor, the City will minimize layoffs of employees through attrition, retraining for other positions (inside and outside of City employment), or placement with the private contractor. At the time the RFP is developed, the competing City agency, with the assistance of the BET, City HR, and the employee union, will draft a transition plan for the potential conversion of service delivery to private contract. The plan should, at a minimum, address the following points:

- Transfer of affected employees to other vacant, funded City positions.
- Identification of employees likely to leave the City by attrition.
- Identification of job openings that the contractor will offer to affected City employees.
- A plan for retraining and out-placement services for affected City employees, including short-term training to enable employees to secure comparable employment elsewhere.

- The City will lay off employees in accordance with the existing laws, union agreement as it relates to layoffs or displacements, and the personnel policies of the City.
- Recall of City employees who have been laid off as a result of services being contracted out will be conducted according to the existing laws, union agreement, and the personnel policies of the City.”

The specific provisions of the transition plan will be finalized as the City completes its selection of a designated Contractor or Employee Team.”

4. Placement of employees with successful bidder

Except where determined to be unnecessary or counterproductive by the BET, in agreement with affected employee union representatives and department management, the contractor shall offer to City employees (who have been displaced as a result of the contract) a “right of first refusal” for employment openings under the contract for which they are qualified. The contractor shall guarantee employment for one year for any displaced City employee who has been hired by the contractor as a result of the managed competition process. Employees could be dismissed within the one-year period for just cause. Any City employee seeking placement with the contractor is subject to all pre-employment screening evaluations typically mandated by the contractor during the hiring process. As part of the RFP process, the contractor will be required to identify any pre-employment screening requirements.

The RFP should require that Contractors and Employee Teams provide aggregate information regarding employee attrition rates over the last two years. After receiving proposals, the BET may determine that additional, supporting information on employee attrition is warranted and may request such from the Contractors and/or Employee Teams.”

5. Health Benefits

The BET may determine that a contractor provide health benefits to all or a subset of positions involved in the delivery of a particular service. The determination in part will be based upon whether positions are full-time or part-time or seasonal/casual work assignments. When it is determined that benefits will be required the Contractor shall, at all times during the term of the contract, offer to its employees and their dependents continuous medical, dental, and vision insurance that is evaluated by City Finance (or its designated expert evaluator) to be generally comparable to that provided by the City to its employees in terms of services covered, access to those services, and cost. The union(s) representing the affected employees may also participate in this review, if they so desire. At the time that the RFP is released, the City shall make available to the Contractors all information necessary to understand the City’s existing insurance plans as pertaining to the affected City employees.

Benefits insurance coverage offered by the Contract[or] will be submitted with the Contractor's proposal and evaluated as part of the total compensation package. The RFP may require that the Contractor submit the benefits information in a table or other format that allows for ease of understanding and comparison.”

6. Other Benefits and Compensation

The contractor shall be required to provide information on what coverage, if any, they provide for the following benefits. If coverage is provided, the contractor shall include a description of the conditions under which the contractor’s employees are able to make use of the benefits.

- Pension/retirement plan;
- Workers’ compensation insurance;
- Unemployment insurance;
- Vacation benefits;
- Short-term disability or sick leave benefits;
- Life insurance; and
- Long-term disability insurance.

7. Workplace and Employee Safety

The contractor shall follow and remain in compliance with all federal, state, and local work safety laws, rules, and regulations for the duration of the contract. The City reserves the right to reject any proposal solely on the basis of the bidder’s safety performance record.

The RFP shall require that Contractors and Employee Teams submit general information concerning the safety programs and policies applicable to the scope of services included in the RFP. Additional, supporting information, including details on specific procedures or Material Safety Data Sheets for products used in the provision of the service, may be requested by the BET as the proposals are further evaluated if the BET determines that the information initially provided with the proposals is insufficient to assess the Contractor’s and/or Employee Team’s safety record and procedures. The name of the person(s) responsible for employee safety shall be included. Nothing in this specified policy shall in any way restrict the City’s ability to secure the information needed to ensure that the competing Contractors and Employee Team propose to perform the scope of services in a manner that protects the welfare and safety of citizens and employees.

If any OSHA, federal, state, or local safety investigation personnel have inspected the firm within the past two years, a copy of that report shall also be included with the bid submission. Any awards for safety, or citations for safety violations, shall be noted in the proposal. Bidders are also required to provide a listing of all OSHA reportable employee injuries within the past two years and a listing of all members of the general public injured by employees while they were performing their duties for the company within the past two years. These listings shall briefly describe the incident, the type and extent of

the injury, an indication if the injury was reported to any federal, state, or local safety organization, and any corrective action taken by the vendor to prevent similar accidents.”

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City of Cincinnati
Managed Competition Policies Assessment

Prepared by:

CGS Consulting, LLC
Indianapolis, Indiana
317.681.5072

November 27, 2002

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1 Introduction to the City of Cincinnati's Managed Competition Initiative

1.1 Council Direction

On December 19, 2001, the City of Cincinnati Council (Council) identified certain City functions to be considered for “Managed Competition”. The motion identifying the services was as follows:

MOTION, dated 12/17/01, submitted by Mayor Luken and Councilmembers Cranley, DeWine, Monzel, Pepper, and Tarbell, that the City engage in a managed competition Process whereby City agencies are able to compete with the private sector to provide the following services: Street Sweeping (Maintaining funding at 2002 budgeted level but improving services), Operation of the Albert B. Sabin Convention Center, Fuel Management System, Computing and Telecommunications Services.¹

1.2 Background

The term “Managed Competition”, as applied to the provision of public services, became prominent in the 1990s as a result of efforts in cities like Phoenix, Indianapolis, and Charlotte to introduce market pressures into the delivery of particular municipal services by structuring periodic competitions between public employees and experienced contractors for the right to provide a particular service.² Managed Competition is one of a range of managerial tools used by public agencies under the broad rubric of “Reinventing Government” in order to improve the efficiency, effectiveness, and responsiveness of American government.

Managed Competition generally applies to a process whereby the public agency (the Agency) responsible for ensuring that a service is delivered requires that the incumbent public employees (the Employee Team) currently providing the service compete with external organizations (Contractors) for the right to continue to provide the service. The Agency conducts the process in such a way as to treat all competing parties as equally as possible (Competitive Neutrality) and entertains formal proposals from the Employee Team and the Contractors by way of a Request for Proposals (RFP) process.

Once formal proposals are received, the Agency usually selects either the Employee Team or a Contractor using the “lowest and best” criteria outlined in the RFP. The Agency then works to ensure that the scope of services is delivered by the selected organization through the use of a formal agreement (a contract with the Contractor or a

¹ City of Cincinnati Ref. Document 200104400, 2/27/02.

² Osbourne, David and Peter Plastrik. Banishing Bureaucracy: The Five Strategies for Reinventing Government. Reading, MA: Addison-Wesley, 1996. p. 131.

Memorandum of Understanding with the Employee Team) and on-going compliance monitoring efforts.

1.3 Task Force

As a result of the City Council's motion on 12/19/01, the interim City Manager formed a Task Force comprised of employees and their representatives to study the issue and to present recommendations concerning policies that would be used to structure the City's Managed Competition effort. Acting Deputy City Manager David Rager, full-time Director of the Greater Cincinnati Water Works, was selected to convene and facilitate the Task Force's efforts.

The Task Force included 19 members comprised of line employees, managers, and union representatives. The Task Force convened approximately 6-7 times to consider issues relating to Managed Competition, especially as affecting City employees.³ The Task Force established the following mission statement:

*"The goal of the City is to find the most efficient way of delivering cost effective, quality City services which seek to realize the customers' expectations. As with any government agency, the goal of City agencies should be to provide value to the public with the public's money."*⁴

Drawing from a range of resources, including studies of Managed Competition efforts in Phoenix and San Diego and the City's own history of contracting for various services, the Task Force developed a "Managed Competition Policies" document that outlined its recommendations concerning seven (7) key issues that relate to Managed Competition.

1.4 Nature of This Review

On July 1, 2002, the City of Cincinnati contracted with CGS Consulting, LLC (CGS) to provide a series of deliverables related to the development of a Managed Competition process. The first deliverable identified was to provide a document considering the Task Force's recommended Managed Policies (the Review).

In order to develop this Review, CGS studied the Task Force's Managed Competition Policies document and researched both supporting and alternative viewpoints concerning the recommendations. In order to ensure that the Task Force's document was sufficiently understood and to exchange ideas, CGS met with members of the Task Force on Wednesday, July 17, 2002. In addition, CGS met with members of the Task Force on Wednesday, July 31, 2002 in order to review an initial draft of this Review. Based on firm experience in conducting Managed Competition projects on behalf of communities throughout the United States, the research conducted, and the discussion with Task Force members, CGS developed this Review to evaluate the Task Force's policies and to provide alternative recommendations, where warranted.

³ Per discussion with David Rager, 7/11/02.

⁴ City of Cincinnati Ref. Document 200104400, 2/27/02.

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The City of Cincinnati's interest in Managed Competition is, in large part, driven by an operating budget deficit that is expected to approach \$30 million in 2003.⁵ This is an appropriate response to such a significant budgetary challenge. Where properly implemented, Managed Competition has been demonstrated to be one of the most effective and important means of addressing municipal budget deficits while maintaining customer service and protecting the well-being of employees. Indeed, as Phoenix Managed Competition pioneer and former Public Works Director Ron Jensen notes, "Numerous public agencies utilizing Managed Competition have effectively reduced costs without resorting to layoffs or reducing salaries and benefits."⁶

In general, the Task Force has done a good job of evaluating issues related to Managed Competition and has developed a range of well-considered policy recommendations within the context of both the City's public service goals and its existing labor-management agreement.⁷ Where CGS has provided alternatives to those recommendations the Task Force developed, in most cases, it is a matter of further refinement and differing emphasis instead of outright disagreement. Based on the efforts to date, we believe that there is a good opportunity for the City Council and the Task Force, working together, to lay a solid foundation for a successful Managed Competition initiative.

This Review of the Task Force's work is not intended to comment on all aspects of a successful Managed Competition program, but rather evaluate those primarily employee-focused issues raised by the Task Force. CGS will make additional recommendations regarding other aspects of a successful Managed Competition initiative, such as cost comparison strategies, in subsequent deliverables under this contract.

⁵ Per discussion with David Rager, 7/11/02.

⁶ Jensen, Ron. Managed Competition in Public Works. Kansas City: American Public Works Association, 8/2001. p. 17.

⁷ Labor-Management Agreement by and Between the City of Cincinnati and Ohio Council 8 and Locals 190, 223, 240, 250, 1543, and 3119 American Federation of State, County and Municipal Employees, AFL-CIO.

2 Recommendation Concerning Identification of Services for Managed Competition

2.1 Recommendation

From the Task Force's 5/22/02 "Policies for Managed Competition" document:

"It is the responsibility of the staff within departments to determine the most effective and efficient method of delivering services. Towards that end departments are expected to continuously evaluate whether providing a service with either internal or external personnel results in improved service delivery and/or reduced cost. If a department identifies a service they believe could be improved with contracting to an external organization, their first step should be to complete a service review. The service review would identify exactly what is the service being delivered, what performance measures are being used to determine levels of customer satisfaction with the service, and what resources (equipment, materials, and personnel) are being used to deliver the service.

The department would then complete a process review to determine what internal changes if any could be made to the delivery of the service that would result in improving the service and/or costs. It is likely the department will need outside expert services to assist with this service review. Once process improvements are identified, then a detailed budget identifying what would be the capital investment and operational costs of the improved process. The detailed budget then becomes the benchmark for comparison of the service delivery cost by internal resources to be compared to external resources.

If the department administration feels that even with the process improvements, savings could be achieved with pursuing contracting out the service delivery, then the department proceeds with developing bid specifications (RFP) and bid evaluation. If the contract bids resulted in projected total costs lower than the benchmark budget developed in the service review, then the department proceeds with contracting with the lowest and best bidder.

In conducting the bidding process with external organizations, the City will appoint a Business Evaluation Team (BET) to perform several tasks in the process: 1) They would evaluate whether contracting out the identified City service is suitable from an overall organizational perspective, i.e. are there legal impediments, are there associated service delivery issues which would not favor contracting out this service, etc.; 2) The BET would assist with developing requests for proposals to insure the City's overall terms and conditions are incorporated in the bid; 3) The BET would evaluate bids; and 4) The BET would insure that adequate contract monitoring procedures are put in place. 5) The BET will monitor each department's performance in conducting service reviews. It is expected that each department will conduct at least one service review each year.

Representatives from the following agencies will comprise the BET: Internal Audit Division; Budget and Evaluation Division; Purchasing Division; Law Department; Office

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of Contract Compliance. All bids will be evaluated by the BET according to the following criteria:

- Compliance with all applicable laws and regulations;
- Compliance with Equal Employment Opportunity policies of the City;
- The City's Equal Business opportunity requirements;
- The financial stability of the service provider;
- The capacity of the service provider to perform the service;
- The existence of written safety policies and safety records."

2.2 Recommendation Pros

One of the best sources for ideas concerning process improvement is the employees themselves who perform the service.⁸ This recommendation process provides City staff with the structure, resources, and expertise to develop the best means of providing the service. These ideas would then be incorporated into the City's redesigned, or "most efficient" organization (MEO).

In addition, the processes laid out would appear to involve the careful consideration by employees of actual data – allowing them to get beyond the anecdotes and perceptions that often drive service delivery changes that are accomplished "on the fly". Process changes based on solid data analyses represent a superior foundation for achieving and sustaining process improvements.

This recommended approach involves labor and management working together to improve the process, a very positive element of any successful Managed Competition effort.⁹ Separation of management and labor as a part of the Managed Competition process can lead to data hoarding and process reengineering designs that are based on an incomplete understanding of the process. Both management's and labor's perspectives should be included.

The use of an RFP as a part of an overall process designed to provide Competitive Neutrality is, we have found, the best means of comparing "apples-to-apples" when it comes to issues of cost and service levels. By requiring Employee Teams and Contractors to respond to the same solicitation document, the Agency promotes maximum competition and encourages Contractors and Employee Teams alike to "sharpen their pencils" and provide their most competitive proposal.

Indicating that ultimate decisions between internal and external providers should be a matter of neutrally selecting the "lowest and best" option is an appropriate standard. Such language appropriately provides guidance at this stage of the process without over-specifying criteria that may not be appropriate for all subsequent projects. This

⁸ Indianapolis: Implementing Competition in City Services. Harvard Business School Case Study. N9-196-009. February 14, 1996. p. 5.

⁹ Jensen, Ron. Managed Competition in Public Works. Kansas City: American Public Works Association, 8/2001.

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recommendation is in line with the general “Best Value for Money” criterion that is used in jurisdictions with well-developed Managed Competition programs, such as Australia.¹⁰

The BET is described in the recommendation as the neutral arbiter of bids that is absolutely necessary to ensure the Competitive Neutrality.¹¹ The success of a Managed Competition initiative is predicated on robust competition from both the public and private sectors. Where one or the other is convinced that the outcome is predetermined, competition is suppressed and the initiative becomes little more than a gimmick, failing to drive real cost savings and quality improvements.

As the recommendation indicates, the BET should be comprised of some individuals from the divisions listed. BET participants should be individuals whose skills, professionalism, and objectivity are well regarded.

Also as the recommendation indicates, the BET should ensure that all bids comply with legal requirements as well as satisfying City regulations. Although “lowest and best” criteria should ultimately drive the selection of an Employee Team or Contractor, the list of qualified organizations from which the winning organization is chosen must include only those that have committed to meeting the regulations that reflect all legal requirements and City policy commitments.

2.3 Recommendation Cons

As written, it appears that the recommendation places ultimate responsibility in the department’s hands as to which services will be subject to service reviews, with “monitoring” done by the BET. With the primary impetus effectively residing at the department level, the Managed Competition initiative will likely produce little in the way of significant results over a sustained period of time. Faced with the demands of daily service delivery and budget constraints, departments generally will not be able to find the time or resources to commit to such an extensive process as is outlined.

Developing a plan for an MEO and actually implementing it are two different exercises. Often, the planned MEO will include significant changes in work processes, staffing levels, technology investment, and performance measures. Adhering to the operational and budget commitments developed for an MEO can be especially difficult as well-intentioned employees seek to implement the “ideal” organization in the midst of daily responsibilities and constraints. Without explicit consequences for failure, implementation of the MEO will likely stall.

The criteria by which the department director decides to move the service into an actual competition following the service and process reviews are very vague. The expectation should be that a Managed Competition will routinely follow the service and process

¹⁰ Department of Finance and Administration (Australian National Government) on-line publication “Commonwealth Procurement Guidelines and Best Practice Guidance found at http://www.dofa.go.au/ctc/publications/purchasing/cpg/commonwealth_procurement_guide.html.

¹¹ Martin, Lawrence L. Determining a Level Playing Field for Public-Private Competition. Arlington, VA: The PricewaterhouseCoopers Endowment for the Business of Government, 11/1999. p. 8.

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reviews, not that the RFP process will follow only if department administration “feels” that savings “could” be achieved through an RFP. In fact, there is little credible and comparable cost and service quality data upon which a department administrator could objectively make a decision on whether or not to proceed at this point. The best way to make a determination concerning the competitiveness of the Employee Team MEO is by letting the market speak through the RFP process.

The use of outside experts and consultants to help City employees improve their process efficiency and effectiveness can be very helpful for the overall Managed Competition initiative, if used selectively. High-risk services involving complex processes, expensive technologies, and skilled employees are the best candidates for such assistance. However, there is no well-developed source of consulting expertise for many municipal services. In addition, the vast majority of Managed Competition projects conducted by the City of Indianapolis did not involve specialized assistance for the employees. Using the term “likely” in describing the use of outside assistance in the process review phase creates an expectation that may be unrealistic for many municipal services, where the best expertise available already lies within the existing employees.

As written, the BET’s ultimate authority and role are not well defined. For example, whom do they “assist” in developing the RFP – the department itself? What authority do they have in terms of initiating a Managed Competition or selecting the ultimate winner? Do they make recommendations or actual contract awards? If the department is dragging their feet on moving forward with a Managed Competition project, does the BET have the authority to act?

If the BET is actually going to run the Managed Competition, it should also lead the evaluative effort, as the recommendation states. In order for the BET to do such things as judging “the capacity of the service provider to perform the service”, the BET needs to be staffed, on a project-by-project basis, with appropriate Subject Matter Experts (SMEs). These SMEs need to be segregated from the in-house bid team from the outset of a Managed Competition effort and not participate in the Service and Process Reviews on behalf of the Employee Teams.

2.4 Proposed Modifications of Recommendation

“Working with departmental management and by direction of the City Council and City Manager, the Business Evaluation Team (BET) will develop a running list (Project List) of potential Managed Competition projects involving City services. At least quarterly, the BET will evaluate the Project List and determine those projects that are likely to be completed within the next year (Short-Term Projects). For each Short-Term Project, the BET will meet with departmental management and employee representatives, as necessary, to discuss and agree on the timetable leading up to the issuance of the RFP for that Short-Term Project.”

~~It is the responsibility of the staff within departments to determine the most effective and efficient method of delivering services. Towards that end departments are expected to continuously evaluate whether providing a service with either internal or external~~

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~~personnel results in improved service delivery and/or reduced cost. If a department identifies a service they believe could be improved with contracting to an external organization, their first step should be to complete a service review. Following the BET's development of the timetable for the release of the RFP for the Short-Term Project, department management and employee representatives should decide on the degree to which a full-scale re-engineering of the service is warranted in order to prepare for the RFP. If they decide that an Employee Team will indeed compete for the right to continue to provide the service, they will begin the re-engineering process with a Service Review. The sService rReview would identify exactly what is the service being delivered, what performance measures are being used to determine levels of customer satisfaction with the service, and what resources (equipment, materials, and personnel) are being used to deliver the service. While all Short-Term Projects shall include a Service Review stage, the City may conduct other Service Reviews of services that will not be subject to Managed Competition. That is, department management, working with its employees, may complete Service Reviews of other City services without being required to move into a Managed Competition if the particular City service is not included on the Project List.~~

The department would then complete a ~~pProcess rReview~~ to determine what internal changes, if any, could be made to the delivery of the service that would result in improving the service and/or costs. It is ~~likely possible that the department will need outside expert services to assist with this serviceProcess rReview. This Process Review will likely result in the development of the Employee Team's "ideal" organization and process for delivering the service - the Most Efficient Organization (MEO). Once process improvements are identified, then a detailed budget identifying what would be the capital investment and operational costs of the improved processMEO would be developed. The detailed budget, which would include an appropriate share of departmental overhead and some portion of the cost of project-specific expert services used in developing the re-engineered process (as determined by the BET), then becomes the benchmark for comparison of the service delivery cost by internal resources to be compared to external resources and is incorporated into the Employee Team's response to the RFP.~~

~~As the departmental Employee Team is conducting the Service and Process Reviews in anticipation of an RFP, the BET proceeds with the development of the RFP with the assistance of departmental Subject Matter Experts (SMEs), as required. Those departmental personnel assisting the BET with the development of the RFP may not jointly participate in the development of the Employee Team's MEO. If the department administration feels that even with the process improvements, savings could be achieved with pursuing contracting out the service delivery, then the department proceeds with developing bid specifications (RFP) and bid evaluation. As the RFP is finalized and released, the BET will treat the competing Employee Team and Contractor(s) as equivalently as is reasonably possible. If the Contractor proposal contract bids resulted guarantees in projected total costs lower than the Employee Team's benchmark MEO for the same level of service budget developed in the service review, then the department proceeds with contracting with the lowest and best bidder, in this case the~~

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Contractor. If the Employee Team is determined to have the lowest and best bid, then the Employee Team's MEO operational and financial commitments shall be captured in a Memorandum of Understanding (MOU) that shall function similarly to an external contract in that persistent failure to meet the commitments of the MOU shall result in termination of the agreement with the Employee Team and a move to find an alternative provider of services.

The BET shall be a standing organization tasked with ~~In~~ conducting the bidding process with ~~external organizations~~ Employee Teams and Contractors. The tasks of the BET would include: ~~the City will appoint a Business Evaluation Team (BET) to perform several tasks in the process:~~ 1) Developing the Project List; 2) Working with departmental management to identify Short-Term Projects and associated timetables; 3) ~~They would evaluate whether contracting out the identified City service is suitable from an overall organizational perspective, i.e. are there legal impediments, are there associated service delivery issues which would not favor contracting out this service, etc.;~~ 2) ~~The BET would assist with d~~Developing requests for proposals RFPs to ensure the City's overall terms and conditions are incorporated in the bid; 3) ~~The BET would e~~Evaluating bids from Employee Teams and Contractors, including comparing costs and service commitments; ~~and 4 and 5) The BET would i~~Ensureing that adequate contract monitoring procedures are put in place by the overseeing department, whether the service provider be a Contractor or an Employee Team. ~~5) The BET will monitor each department's performance in conducting service reviews. It is expected that each department will conduct at least one service review each year.~~

In order for the Managed Competition initiative to succeed over the long term, the City must create a dedicated, independent BET with appropriate authority, staffing, and resources. The BET will have at least one full-time, dedicated member and should have appropriate access to, as needed, ~~R~~ representatives skilled analyst support from the following agencies ~~will comprise the BET~~: Internal Audit Division; Budget and Evaluation Division; Purchasing Division; Law Department; Office of Contract Compliance. In addition, departmental SMEs will support the work of the BET on a project-by-project basis, as needed.

The BET will confirm that all bids demonstrate ~~All bids will be evaluated by the BET according to the following criteria:~~

- Compliance with all applicable laws and regulations;
- Compliance with Equal Employment Opportunity policies of the City;
- The City's Equal Business opportunity requirements;
- The financial stability of the service provider;
- The capacity of the service provider to perform the service;
- The existence of written safety policies and safety records."

2.5 Justification

Due to the complexity of this recommendation, our proposed modifications will focus separately on the major components of the recommendation (in the order included in the recommendation): the Service Review, the Process Review, the RFP, and the BET.

2.5.1 Service Review Modification Justification

We recommend that in most cases, the expectation at the beginning of the Service Review process is that the full Managed Competition will be completed, absent some compelling reason to the contrary that emerges during the service and process reviews. In order to drive real process changes and improvements, competition must be imminent. As former City of Phoenix Auditor Jim Flanagan puts in, “No reporting process, auditing procedure, or budgeting procedure has ever gotten a public organization to put anywhere near the energy into improvement that competition has...enormous energy goes into getting prices down for bids.”¹²

This original recommendation does not make reference to a particular timetable for the completion of the Service and Process Reviews. The recommendation, as revised, requires that a timetable for completion of the overall Managed Competition process for the particular Short-Term Project should be jointly developed by the department/Employee Team and the BET after the service is identified as a Short-Term Project.

2.5.2 Process Review Modification Justification

The critiqued recommendation implies that only some services will be appropriate for outside expertise to assist employees in completing the Managed Competition process. In addition, the cost of consulting services specifically for this service (as opposed to the competitiveness training offered employees in the next paragraph) should be assessed against the Employee Team’s proposal budget. Where outside expertise is used, it should be done with strict scope of services that focuses the consultants on equipping employees with the skills, information, and analytical tools they need to allow them to reengineer the process.¹³ The scope should be careful to avoid creating a situation where the consultants come in, devise a solution with little employee participation, present the solution as part of the employee bid, and then exit without ensuring the employees’ ability to implement and sustain the reengineered process.

In addition, the City should commit to making available to employees affected by Short-Term Projects a condensed but rigorous curriculum of instruction enabling them to develop a competitive bid. This curriculum should involve principles of costing, process analysis, and bid development.¹⁴ Combined with the process knowledge already possessed by the employees, the Indianapolis example shows that these analytical tools can enable Employee Teams to develop competitive and achievable bids very successfully.¹⁵

¹² Eggers, William D. Competitive Neutrality: Ensuring a Level Playing Field in Managed Competitions. Los Angeles: Reason Public Policy Institute, 1998. p. 1.

¹³ Jensen, Ron. Managed Competition in Public Works. Kansas City: American Public Works Association, 8/2001. p. 19.

¹⁴ Rubin, Barry and Richard Rubin. Labor-Management Partnerships: A New Approach to Collaborative Management. Arlington, VA: The PricewaterhouseCoopers Endowment for the Business of Government, 7/01. p. 22.

¹⁵ Indianapolis: Implementing Competition in City Services. Harvard Business School Case Study. N9-196-009. February 14, 1996. p. 6.

2.5.3 RFP Modification Justification

The recommendation should clearly place responsibility for the development of the RFP and evaluation of the proposals with the BET. The BET can really be the neutral arbiter the recommendation envisions only by controlling the RFP process.

In order for a Managed Competition program to be successful, there must be consequences for failure – both for the Contractors and the Employee Teams.¹⁶ The City must hold both Contractors and Employee Teams responsible for fulfilling the price and service quality commitments included in their proposals. This will require an on-going contract monitoring effort whether a Managed Competition is won by an Employee Team or a Contractor. Failure to meet cost and service quality commitments on a sustained basis should mean that the agreement with the defaulting party, whether Employee Team or Contractor, will be terminated and a new service provider sought, to the extent possible allowed under budget constraints and personnel rules.

The evaluation criteria listed in this recommendation, for the most part, are more appropriately termed qualification criteria. The ultimate service award, as the City indicates earlier in the recommendation, should be made on a judgment as to the “lowest and best” bid among those organizations meeting the baseline requirements, such as compliance with all applicable laws and regulations.

In evaluating the proposals, the BET must make reasonable efforts to ensure “apples-to-apples” comparisons across Contractors and Employee Teams on the basis of cost and service quality issues. For example, the BET must be committed to ensuring that the pricing developed by the Employee Team is realistic, sustainable, and “fully loaded”, and has been developed in accordance with principles of activity-based costing.¹⁷ Likewise, the BET should ensure that Contractors have taken into account real data concerning the level of customer service to be provided.¹⁸

2.5.4 BET Modification Justification

The BET must have a well-defined role in managing, directing, and driving the overall Managed Competition initiative, with support from the City’s top elected and appointed officials. A report by the U.S. General Accounting Office release in 1997 indicates that those organizations with the most success in advancing Managed Competition initiatives all have organizations independent of the regular departmental structure committed to the success of the Managed Competition endeavor.¹⁹

¹⁶ Martin, Lawrence L. Determining a Level Playing Field for Public-Private Competition. Arlington, VA: The PricewaterhouseCoopers Endowment for the Business of Government, 11/1999. p. 17.

¹⁷ Privatization Lessons Learned by State and Local Governments. United States General Accounting Office. GAO/GGD-97-48. p. 12.

¹⁸ Department of Finance and Administration (Australian National Government) on-line publication “Commonwealth Procurement Guidelines and Best Practice Guidance found at http://www.dofa.go.au/ctc/publications/purchasing/cpg/commonwealth_procurement_guide.html.

¹⁹ Privatization Lessons Learned by State and Local Governments. United States General Accounting Office. GAO/GGD-97-48. p. 4.

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Generally, this empowered BET would have responsibility for working closely with department directors to develop the Project List and to identify the Short-Term Projects discussed in the revised recommendation.²⁰ The BET must have strong support from top elected and appointed officials in order for it to succeed.²¹ In addition, the BET must have explicit goals from City Council and/or the City Manager (such as “\$X” millions in savings annually or “Y” number of Managed Competition projects completed annually) that drive its success. CGS will develop the role of the BET further in future deliverables to be provided to the City of Cincinnati.

The BET must take a lead role, working as peers with department directors, in regularly communicating with employees concerning the intent, direction, and progress of any Managed Competition effort.²² When an Agency fails to communicate adequately regarding Managed Competition, misinformation fills the void. This misinformation often includes worst-case scenarios and distortions and can lead to unnecessary attrition and poor morale. Working with departmental management, the BET must periodically meet and consult with employee groups and discuss how the City’s commitment to the welfare of its employees and the baseline policies concerning wages, pensions, benefits, and the safety net, are incorporated into various Managed Competition processes. The BET must also ensure that it has an “agnostic” view towards the issue of whether services are provided by a Contractor or Employee Team - that it is purely focused on determining which organization (public or private) is best situated to deliver the “lowest and best” approach for any given service.

In addition to ad hoc participation by auditors and SMEs, the BET needs to have full-time staff allocated to running the overall Managed Competition initiative. Ideally, these will be experts in conducting these types of competitive procurement transactions, with experience in both business and municipal operations. These BET team members will also be bold in challenging assumptions about “this is the way we have always done things” while also skilled in working with incumbent employees.²³

²⁰ Stainback, John. Designing Comprehensive Privatization Programs for Cities. Los Angeles: Reason Foundation, 2/1993. p. 14.

²¹ Eimicke, William B. San Diego County’s Innovation Program: Using Competition and a Whole Lot More to Improve Public Services. Arlington, VA: The PricewaterhouseCoopers Endowment for the Business of Government, 1/2000. p. 21.

²² Jensen, Ron. Managed Competition in Public Works. Kansas City: American Public Works Association, 8/2001. p. 18.

²³ Indianapolis: Implementing Competition in City Services. Harvard Business School Case Study. N9-196-009. February 14, 1996. p. 2.

3 Recommendation Concerning the Comparability of Wages and Other Employment Benefits

3.1 Recommendation

From the Task Force's 5/22/02 "Policies for Managed Competition" document:

"The RFP will require bidding contractors to provide detailed information on employee compensation programs, including all wage rate information (including wage ranges) for all positions performing duties associated with the contracted service. The Business Evaluation Team (BET) will compare this information to the compensation currently provided to City employees. The RFP will stipulate that evaluation of the proposals will include a review of the compensation plan offered by the contractor and the evaluation of proposals will include a review of the entire compensation package including wages and benefits."

3.2 Recommendation Pros

There is a range of sound policy reasons for ensuring comparable wage scales between the Employee Team and the Contractor competing to provide a service, and this is an appropriate policy priority for the City.²⁴ Simply cutting employee salaries results in a "Managed Competition on the cheap" effort that may produce initial savings, but will not generate sustainable public support for the Managed Competition initiative.

3.3 Recommendation Cons

Evaluating employee salaries and implicitly or explicitly requiring salary comparability between the competing Contractors and the Employee Teams may not lead to the lowest cost provision of service for City taxpayers, at least initially. In addition, when wage comparability mandates are included as a part of the RFP, these mandates tend to "tilt the field in favor of the public sector."²⁵

Wage comparisons can be difficult when comparing public versus private sector. For example, performance incentives in addition to across the board pay increases are used extensively in the private sector and less so in the public sector. Coming up with an "apples-to-apples" methodology for comparing wages may be challenging.

3.4 Proposed Modifications of Recommendation

"The RFP will require bidding contractors to provide detailed information on employee compensation programs, including all wage rate information (including wage ranges) for all positions performing duties associated with the contracted service. The Business Evaluation Team (BET) will compare this information to the compensation currently provided to City employees. The RFP will stipulate that evaluation of the proposals will

²⁴ Martin, Lawrence L. Determining a Level Playing Field for Public-Private Competition. Arlington, VA: The PricewaterhouseCoopers Endowment for the Business of Government, 11/1999. p. 12.

²⁵ Ibid, p. 12.

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include a review of the compensation plan offered by the contractor and the evaluation of proposals will included a review of the entire compensation package including wages and benefits.

Where the BET, in consultation with employee representatives and departmental management, determines that the wages to be offered by the Contractor must be comparable to those currently earned by the affected employees, the RFP should explicitly say so. The City will provide to the Contractors all wage information for those affected employees, by job title, that the Contractors need in order to calculate and include comparable wages in their proposals.”

3.5 Justification

Where wage comparability is to be required, the City should clearly state this in the RFP. Instead of asking for “detailed information on employee compensation programs”, the City should state that Contractor employees that would be involved in the provision of a municipal service awarded through Managed Competition must receive equal or better wages. The City should commit to providing the necessary wage data for Contractors to understand the current wages, by position, and projected wage increases.

There may be some situations in which mandating wage comparability is not desirable on the City’s part. For example, if the City decided to “get out of” a service that heavily relied on part-time, seasonal labor, it may not make sense to ensure that competing Contractors necessarily maintained the same wage scale, especially if the method of completing the work is done differently by the Contractor.

4 Recommendation Concerning Transition of Affected City Employees

4.1 Recommendation

From the Task Force's 5/22/02 "Policies for Managed Competition" document:

"If it is determined that a service previously provided by City employees should be granted to a private contractor, the City will minimize layoffs of employees through attrition, retraining for other positions (inside and outside of City employment), or placement with the private contractor. The competing City agency will develop a transition plan for the potential conversion of service delivery to private contract. The plan will address the following points:

- Transfer of affected employees to other vacant, funded City positions.
- Identification of employees likely to leave the City by attrition.
- Identification of job openings that the contractor will offer to affected City employees.
- A plan for retraining and out-placement services for affected City employees, including the specific training needed for each employee to gain placement.
- The City will lay off employees in accordance with the existing union agreement as it relates to layoffs or displacements, and the personnel policies of the City.
- Recall of City employees who have been laid off as a result of services being contracted out will be conducted according to the existing union agreement and the personnel policies of the City."

4.2 Recommendation Pros

Providing a "safety net" is a key component of successful governments' approach to Managed Competition.²⁶ Creating such a safety net begins to address employees' legitimate concerns about their future livelihood, and allows those directing the Managed Competition initiative to focus their efforts on driving specific transactions. The specifics detailed in this recommendation represent a good mix of a number of proven aspects of a safety net.

4.3 Recommendation Cons

Identifying individual employees "likely" to leave the City can be very difficult. In general, it is better to make aggregate estimates of employee attrition based on a review of historic attrition patterns within the particular service and discussions with other entities that have overseen similar transitions.

Saddling the Agency with the responsibility for developing a transition plan could distract the Employee Team from its primary mission – developing a winning bid.

²⁶ Privatization Lessons Learned by State and Local Governments. United States General Accounting Office. GAO/GGD-97-48. p. 16.

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Therefore, the development of the transition plan should rest with those in the department and in City HR who are not involved in developing the employee bid.

4.4 Proposed Modification of Recommendation

“If it is determined that a service previously provided by City employees should be granted to a private contractor, the City will minimize layoffs of employees through attrition, retraining for other positions (inside and outside of City employment), or placement with the private contractor. At the time the RFP is developed, the competing City agency, with the assistance of the BET, City HR, and the employee union, will develop draft a transition plan for the potential conversion of service delivery to private contract. The plan will should, at a minimum, address the following points:

- Transfer of affected employees to other vacant, funded City positions.
- Identification of employees likely to leave the City by attrition.
- Identification of job openings that the contractor will offer to affected City employees.
- A plan for retraining and out-placement services for affected City employees, including short-term the specific training needed for each employee to gain placement training to enable employees to secure comparable employment elsewhere.
- The City will lay off employees in accordance with the existing union agreement as it relates to layoffs or displacements, and the personnel policies of the City.
- Recall of City employees who have been laid off as a result of services being contracted out will be conducted according to the existing union agreement and the personnel policies of the City.”

The specific provisions of the transition plan will be finalized as the City completes its selection of a designated Contractor or Employee Team.”

4.5 Justification

Work on the transition plan should be started as the RFP is being developed, in order to address employee concerns and to provide greater certainty to Contractors (by way of the RFP) on issues they will need to be involved with (such as hiring affected employees) should they win a contract. The final details of the transition plan can be confirmed upon selection of a Contractor and agreement on the specifics of the resulting service contract. Not every transition plan will include all of the potential elements. For example, the City may decide that, for some projects, requiring the Contractor to provide “first right of refusal” for affected employees means that establishing a training program for those affected employees is unnecessary.

For projects in which the use of a safety net is necessary, the recommendation should identify the City’s Human Resources department (HR), coordinating with the affected departments and the BET, as the organization responsible for developing an on-going safety net to support the Managed Competition initiative. The HR department should have the expertise and City-wide reach to construct a safety net that allows for appropriate placement of employees throughout the organization. In addition, HR can

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coordinate with the BET and the affected department to “bank” employee vacancies in the lead up to a project that has the potential to impact a number of City employees.

The reference to “the specific training needed for each employee to gain placement” should be modified. As it is, it could be read that the City would provide whatever training would be necessary, for however long, for whatever position an employee wanted to pursue. Rather, such “short-term” training designed to enable employees to gain comparable employment outside of the City should be for a period not to exceed six months.

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5 Recommendation Concerning Placement of Employees with Contractor

5.1 Recommendation

From the Task Force's 5/22/02 "Policies for Managed Competition" document:

"The contractor shall offer to City employees (who have been displaced as a result of the contract) a "right of first refusal" for employment openings under the contract for which they are qualified. The contractor shall guarantee employment for one year for any displaced City employee who has been hired by the contractor as a result of the managed competition process. Employees could be dismissed within the one-year period for just cause. Any City employee seeking placement with the contractor is subject to all pre-employment screening evaluations typically mandated by the contractor during the hiring process. As part of the RFP process, the contract will be required to identify any pre-employment screening requirements.

The contractor shall also provide a listing of the names of employees who presently work for the bidder and who are performing the tasks to execute the work under contract. A similar list must be provided of the names of the employees who worked for the bidder two years prior to the submission of the bid."

5.2 Recommendation Pros

The first paragraph of this recommendation is a standard part of many managed competitions in which the workforce is sizable and skilled and, in many cases, is an appropriate requirement. Incorporating such language as a part of a Managed Competition Policies statement is an important means of protecting the ultimate livelihood of employees, whether they remain in the public sector or are transitioned to the private sector, and is a key foundation to building a successful Managed Competition initiative.²⁷

5.3 Recommendation Cons

There may be some situations in which requiring the hiring of all affected employees is not desirable for the employees or the City. The recommendation should allow for some flexibility in determining when this requirement is necessary.

The intent of the second paragraph is confusing. If information on employee attrition and/or turnover is desired, asking for aggregate statistics, instead of individual names, is more appropriate, both for efficiency and privacy reasons.

²⁷ Rubin, Barry and Richard Rubin. Labor-Management Partnerships: A New Approach to Collaborative Management. Arlington, VA: The PricewaterhouseCoopers Endowment for the Business of Government, 7/01. p. 11.

5.4 Proposed Modification of Recommendation

“Except where determined to be unnecessary or counterproductive by the BET, in agreement with affected employee union representatives and department management, the contractor shall offer to City employees (who have been displaced as a result of the contract) a “right of first refusal” for employment openings under the contract for which they are qualified. The contractor shall guarantee employment for one year for any displaced City employee who has been hired by the contractor as a result of the managed competition process. Employees could be dismissed within the one-year period for just cause. Any City employee seeking placement with the contractor is subject to all pre-employment screening evaluations typically mandated by the contractor during the hiring process. As part of the RFP process, the contractor will be required to identify any pre-employment screening requirements.

The contractor shall also provide a listing of the names of employees who presently work for the bidder and who are performing the tasks to execute the work under contract. A similar list must be provided of the names of the employees who worked for the bidder two years prior to the submission of the bid. The RFP should require that Contractors and Employee Teams provide aggregate information regarding employee attrition rates over the last two years. After receiving proposals, the BET may determine that additional, supporting information on employee attrition is warranted and may request such from the Contractors and/or Employee Teams.”

5.5 Justification

There may be some services in which the “right of first refusal” is unnecessary. For example, where there is a service in which the number of affected City employees is small, where they have skills easily transferable to other City vacancies, and when they have signaled a desire to remain with the City should the Employee Team be unsuccessful, it is probably counterproductive to include such a “first right of refusal” requirement as it would likely increase the total cost of the proposals to the City.

Therefore, the BET, in consultation with employee representatives and department management, should have the final authority to determine when there are exceptional cases that should not include the mandate that the Contractor must hire all affected City employees.

CGS proposes that the recommendation drops the requirement that the Contractor provide information on all of the employees within the last two years. Again, aggregate data on attrition (such as an attrition rate with full explanation as to the method by which it was calculated) is more appropriate. If the BET has some concern that the attrition data provided in the proposal is questionable, additional supporting data can be requested at that time.

No requirement has been added that restricts a Contractor to hiring only Hamilton County/City of Cincinnati residents in the future. In fact, Contractors do seek to hire local residents in the vast majority of cases. The reasoning for not including such a requirement is as follows:

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- The Contractor's workforce will already substantially be made up of County/City residents as the result of the affected employees being transferred to the Contractor;
- The Contractor will naturally have every incentive to hire new employees from the local County/City population, where possible, in order to reduce transition and relocation costs;
- However, in some cases where specialized skills are required, the City's taxpayers ultimately receive "best value for money" if a Contractor is permitted to seek out and secure talent without geographical restrictions.

CGS does believe that it is completely appropriate and desirable that a Contractor's site manager for a City project be required to reside in the County/City after a reasonable period of time in which to make a transition to the area.

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6 Recommendation Concerning Comparability of Employee Health Benefits

6.1 Recommendation

From the Task Force's 5/22/02 "Policies for Managed Competition" document:

"The contractor shall, at all times during the term of the contract, offer to its employees and their dependents continuous medical, dental, and vision insurance that provides hospitalization and physician's visits with at least 60% coverage, and prescription drug coverage. Dental and vision insurance shall also be offered with at least 60% coverage.

Benefits insurance coverage offered by the contract[or] will be evaluated as part of the total compensation package (including wages) and will be compared to the current compensation package offered by the City."

6.2 Recommendation Pros

Requiring a comparable level of health insurance coverage across Contractors and Employee Teams is a legitimate policy aim of the City. Recognizing the significant variability across policies, this recommendation appropriately seeks to set a reasonable standard.

6.3 Recommendation Cons

As written, this would be difficult to enforce without further clarification and definition concerning the "60% coverage" standard. Comparing insurance plans, especially between public and private, is notoriously difficult.

Vision insurance is not always standard coverage and may serve to effectively exclude some small employers from participating in a Managed Competition.

Finally, the recommendation makes no reference to requiring a comparable level of access to medical, dental, and vision services. Even though the services rendered may be comparable, transitioned employees will view a new medical-dental-vision insurance plan as significantly flawed if they must make major changes to their personal physicians and health care facilities.

6.4 Proposed Modification of Recommendation

"The ~~e~~Contractor shall, at all times during the term of the contract, offer to its employees and their dependents continuous medical, dental, and vision insurance that ~~provides hospitalization and physician's visits with at least 60% coverage, and prescription drug coverage. Dental and vision insurance shall also be offered with at least 60% coverage~~is evaluated by City Finance (or its designated expert evaluator) to be generally comparable to that provided by the City to its employees in terms of services covered, access to those services, and cost. The union(s) representing the affected employees may also participate in this review, if they so desire. At the time that the RFP is released, the City shall make

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available to the Contractors all information necessary to understand the City's existing insurance plans as pertaining to the affected City employees.

Benefits insurance coverage offered by the eContract[or] will be submitted with the Contractor's proposal and evaluated as part of the total compensation package (including wages) and will be compared to the current compensation package offered by the City. The RFP may require that the Contractor submit the benefits information in a table or other format that allows for ease of understanding and comparison."

6.5 Justification

RFPs should consistently require Contractors to present detailed information regarding insurance coverage. In most cases, Contractors should have full access to information regarding the City's insurance coverage and should be required to submit information on their coverage in a table format that facilitates comparison between the coverages.

In order to ensure comparability, we would recommend that City HR, assisted, if required, by an independent benefits analyst, have the final say to determine whether the comparability standard has been achieved based on the information provided by the Contractor compared to existing City coverage. If there are remaining disparities in coverage that cannot be overcome, the Contractor should be given the opportunity to provide, for HR review, a plan by which negatively impacted employees are "made whole" (such as by an offsetting wage increase or another benefit), as would seem to be permitted based on the second paragraph of this recommendation.

7 Recommendation Concerning Comparability of Other Employee Benefits

7.1 Recommendation

From the Task Force's 5/22/02 "Policies for Managed Competition" document:

"The contractor shall be required to provide information on what coverage, if any, they provide for the following benefits. The evidence that the contractor provides shall include a description of the conditions under which the contractor's employees are able to make use of the benefits.

- Pension/retirement plan;
- Workers' compensation insurance;
- Unemployment insurance;
- Vacation benefits;
- Short-term disability or sick leave benefits;
- Life insurance; and
- Long-term disability insurance."

7.2 Recommendation Pros

Again, this is a reasonable requirement. Reviewing the entire benefits picture during the RFP phase, as affecting transitioned employees, is absolutely necessary.

7.3 Recommendation Cons

None.

7.4 Proposed Modification of Recommendation

None.

7.5 Justification

None.

8 Recommendation Concerning Workplace Safety Policies and Records

8.1 Recommendation

From the Task Force's 5/22/02 "Policies for Managed Competition" document:

"The contractor shall follow and remain in compliance with all federal, state, and local work safety laws, rules, and regulations for the duration of the contract. The City reserves the right to reject any proposal solely on the basis of the bidder's safety performance record.

Bidders shall submit any written safety policy that is used in the provision of the requested service. Material Safety Data Sheets (MSDS) should be presented for products used by the firm in the performance of the work proposed to be performed on behalf of the City. The name of the person(s) responsible for employee safety shall be included. If any OSHA, federal, state, or local safety investigation personnel have inspected the firm within the past five years, a copy of that report shall also be included with the bid submission. Any awards for safety, or citations for safety violations, shall be noted in the proposal. Bidders are also required to provide a listing of all OSHA reportable employee injuries within the past three years and a listing of all members of the general public injured by employees while they were performing their duties for the company within the past three years. These listings shall briefly describe the incident, the type and extent of the injury, an indication if the injury was reported to any federal, state, or local safety organization, and any corrective action taken by the vendor to prevent similar accidents."

8.2 Recommendation Pros

Occupational safety is paramount. It is completely appropriate that the City require that the Contractors with which it does business to have a demonstrated record of safety, both as it relates to employees and citizens. The best time to secure this information is during the RFP phase, when the BET has the time to conduct the appropriate due diligence on the matter.

It makes good sense to require the Contractor to identify in the RFP the persons responsible for corporate safety programs and the person who would be responsible for safety issues at the project site level. Requiring the submission with the RFP of both awards for safety and citations for violations is appropriate and recommended.

Limiting the reporting of employee injuries to those required by OSHA is an appropriate standard for information to be included in the Contractor's proposal.

8.3 Recommendation Cons

While determining the appropriateness of the Contractor's safety policies and records is laudable, the level of information to be requested in the initial RFP is too substantial, at least for most services. Requiring that all safety policies and all Material Safety Data

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Sheets used in the provision of the service be submitted as a standard part of Contractor proposals will increase the cost to the Contractor and provide the City with an immense amount of material with minimal value to the overall evaluation of the Contractor's proposal. If, after reviewing the Contractor's proposal the BET has specific concerns about the safety of particular processes or equipment, supporting documentation can be requested at that time.

In addition, requiring three years' worth of injury data and five years' worth of safety inspection data is excessive in terms of the amount of information submitted with the proposal. Again, the cost of assembling and managing such a quantity of data (both for the Contractors and the BET) likely outweighs any marginal benefit that could be gleaned from it above and beyond what could be gleaned from information representing a shorter time requirement.

8.4 Proposed Modification of Recommendation

"The contractor shall follow and remain in compliance with all federal, state, and local work safety laws, rules, and regulations for the duration of the contract. The City reserves the right to reject any proposal solely on the basis of the bidder's safety performance record.

The RFP shall require that Bidders shall Contractors and Employee Teams submit general information concerning the safety programs and policies applicable to the scope of services included in the RFP. Additional, supporting information, including details on specific procedures or Material Safety Data Sheets for products used in the provision of the service, may be requested by the BET as the proposals are further evaluated if the BET determines that the information initially provided with the proposals is insufficient to assess the Contractor's and/or Employee Team's safety record and procedures. ~~any written safety policy that is used in the provision of the requested service. Material Safety Data Sheets (MSDS) should be presented for products used by the firm in the performance of the work proposed to be performed on behalf of the City.~~ The name of the person(s) responsible for employee safety shall be included. Nothing in this specified policy shall in any way restrict the City's ability to secure the information needed to ensure that the competing Contractors and Employee Team propose to perform the scope of services in a manner that protects the welfare and safety of citizens and employees.

If any OSHA, federal, state, or local safety investigation personnel have inspected the firm within the past ~~five~~two years, a copy of that report shall also be included with the bid submission. Any awards for safety, or citations for safety violations, shall be noted in the proposal. Bidders are also required to provide a listing of all OSHA reportable employee injuries within the past ~~three~~two years and a listing of all members of the general public injured by employees while they were performing their duties for the company within the past ~~three~~two years. These listings shall briefly describe the incident, the type and extent of the injury, an indication if the injury was reported to any federal, state, or local safety organization, and any corrective action taken by the vendor to prevent similar accidents."

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8.5 Justification

The initial safety disclosure requirements laid upon the Contractors should apply only to the services for which the Contractor is competing for the right to provide the City and the chain of command directing the provision of that service. For example, some Contractors competing for City work may be in a range of other businesses, from “soup to nuts”. The Contractor’s safety record with regard to those businesses is not directly applicable to its provision of City services.

There needs to be a clear sense of proportionality in requiring that the same type of safety data requested of the Contractors is also requested of the Employee Team in order to ensure that safety issues are considered in the context of the historical record of the City in performing the service. So, the recommendation should require that the Employee Team make a corresponding disclosure regarding its safety record concerning employee and citizen injuries incurred in the status quo delivery of the service.

9 Conclusions

Through its work to date, the Task Force has laid a solid foundation for a successful Managed Competition initiative. The policies included in this document, both the original and as critiqued, should be properly viewed as means to an end and not as ends unto themselves. As the parties work together, as goals evolve, and as the City of Cincinnati discovers what works and what doesn't, these policies will be refined.

However, the City must keep its "eye on the ball" and focus on delivering real results through Managed Competition and not just in refining policies. These policies need to be put into the service of larger goals – saving the citizens of Cincinnati money, maintaining or improving service levels, and treating employees fairly. These goals need to be measurable, and the organization responsible for achieving them (primarily, the BET) needs to be empowered and held accountable for achieving them.

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10 Appendix: Revised Policies – As Proposed by CGS

Recommendation #1

It is the responsibility of the staff within departments to determine the most effective and efficient method of delivering services. Towards that end departments are expected to continuously evaluate whether providing a service with either internal or external personnel results in improved service delivery and/or reduced cost. To assist departments with the process, a Business Evaluation Team will be created within the city administration.

“Working with departmental management and consistent with direction of the City Council and City Manager, the Business Evaluation Team (BET) will develop a running list (Project List) of potential Managed Competition projects involving City services. At least quarterly, the BET will evaluate the Project List and determine those projects that are likely to be completed within the next year (Short-Term Projects). For each Short-Term Project, the BET will meet with departmental management and employee representatives, as necessary, to discuss and agree on the timetable leading up to the issuance of the RFP for that Short-Term Project.

Following the BET’s development of the timetable for the release of the RFP for the Short-Term Project, department management and employee representatives should decide on the degree to which a full-scale re-engineering of the service is warranted in order to prepare for the RFP. If they decide that an Employee Team will indeed compete for the right to continue to provide the service, they will begin the re-engineering process with a Service Review. The Service Review would identify exactly what is the service being delivered, what performance measures are being used to determine levels of customer satisfaction with the service, and what resources (equipment, materials, and personnel) are being used to deliver the service. While all Short-Term Projects shall include a Service Review stage, the City may conduct other Service Reviews of services that will not be subject to Managed Competition. That is, department management, working with its employees, may complete Service Reviews of other City services without being required to move into a Managed Competition if the particular City service is not included on the Project List.

The department would then complete a Process Review to determine what internal changes, if any, could be made to the delivery of the service that would result in improving the service and/or costs. It is possible that the department will need outside expert services to assist with this Process Review. This Process Review will likely result in the development of the Employee Team’s “ideal” organization and process for delivering the service - the Most Efficient Organization (MEO). Once process improvements are identified, then a detailed budget identifying the capital investment and operational costs of the MEO would be developed. The detailed budget, which would include an appropriate share of departmental overhead and some portion of the cost of

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project-specific expert services used in developing the re-engineered process (as determined by the BET), then becomes the benchmark for comparison and is incorporated into the Employee Team's response to the RFP.

As the departmental Employee Team is conducting the Service and Process Reviews in anticipation of an RFP, the BET proceeds with the development of the RFP with the assistance of departmental Subject Matter Experts (SMEs), as required. Those departmental personnel assisting the BET with the development of the RFP may not jointly participate in the development of the Employee Team's MEO. As the RFP is finalized and released, the BET will treat the competing Employee Team and Contractor(s) as equivalently as is reasonably possible. If a Contractor proposal guarantees projected total costs lower than the Employee Team's benchmark MEO for the same level of service, then the department proceeds with contracting with the lowest and best bidder, in this case the Contractor. If the Employee Team is determined to have the lowest and best bid, then the Employee Team's MEO operational and financial commitments shall be captured in a Memorandum of Understanding (MOU) that shall function similarly to an external contract in that persistent failure to meet the commitments of the MOU shall result in termination of the agreement with the Employee Team and a move to find an alternative provider of services.

The BET shall be a standing organization tasked with conducting the bidding process with Employee Teams and Contractors. The tasks of the BET would include: 1) Developing the Project List; 2) Working with departmental management to identify Short-Term Projects and associated timetables; 3) Developing RFPs to ensure the City's overall terms and conditions are incorporated in the bid; 4) Evaluating bids from Employee Teams and Contractors, including comparing costs and service commitments; and 5) Ensuring that adequate contract monitoring procedures are put in place by the overseeing department, whether the service provider be a Contractor or an Employee Team.

In order for the Managed Competition initiative to succeed over the long term, the City must create a dedicated, independent BET with appropriate authority, staffing, and resources. The BET will have at least one full-time, dedicated member and should have appropriate access to, as needed, skilled analyst support from the following agencies: Internal Audit Division; Budget and Evaluation Division; Purchasing Division; Law Department; Office of Contract Compliance. In addition, departmental SMEs will support the work of the BET on a project-by-project basis, as needed.

The BET will confirm that all bids demonstrate the following:

- Compliance with all applicable laws and regulations;
- Compliance with Equal Employment Opportunity policies of the City;
- The City's Equal Business opportunity requirements;
- The financial stability of the service provider;
- The capacity of the service provider to perform the service;
- The existence of written safety policies and safety records."

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Recommendation #2

“The RFP will require bidding contractors to provide detailed information on employee compensation programs, including all wage rate information (including wage ranges) for all positions performing duties associated with the contracted service. The Business Evaluation Team (BET) will compare this information to the compensation currently provided to City employees. The RFP will stipulate that evaluation of the proposals will include a review of the compensation plan offered by the contractor and the evaluation of proposals will include a review of the entire compensation package including wages and benefits.

Where the BET, in consultation with employee representatives and departmental management, determines that the wages to be offered by the Contractor must be comparable to those currently earned by the affected employees, the RFP should explicitly say so. The City will provide to the Contractors all wage information for those affected employees, by job title, that the Contractors need in order to calculate and include comparable wages in their proposals.”

Recommendation #3

“If it is determined that a service previously provided by City employees should be granted to a private contractor, the City will minimize layoffs of employees through attrition, retraining for other positions (inside and outside of City employment), or placement with the private contractor. At the time the RFP is developed, the competing City agency, with the assistance of the BET, City HR, and the employee union, will draft a transition plan for the potential conversion of service delivery to private contract. The plan should, at a minimum, address the following points:

- Transfer of affected employees to other vacant, funded City positions.
- Identification of employees likely to leave the City by attrition.
- Identification of job openings that the contractor will offer to affected City employees.
- A plan for retraining and out-placement services for affected City employees, including short-term training to enable employees to secure comparable employment elsewhere.
- The City will lay off employees in accordance with the existing union agreement as it relates to layoffs or displacements, and the personnel policies of the City.
- Recall of City employees who have been laid off as a result of services being contracted out will be conducted according to the existing union agreement and the personnel policies of the City.”

The specific provisions of the transition plan will be finalized as the City completes its selection of a designated Contractor or Employee Team.”

Recommendation #4

“Except where determined to be unnecessary or counterproductive by the BET, in agreement with affected employee union representatives and department management, the contractor shall offer to City employees (who have been displaced as a result of the

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contract) a “right of first refusal” for employment openings under the contract for which they are qualified. The contractor shall guarantee employment for one year for any displaced City employee who has been hired by the contractor as a result of the managed competition process. Employees could be dismissed within the one-year period for just cause. Any City employee seeking placement with the contractor is subject to all pre-employment screening evaluations typically mandated by the contractor during the hiring process. As part of the RFP process, the contractor will be required to identify any pre-employment screening requirements.

The RFP should require that Contractors and Employee Teams provide aggregate information regarding employee attrition rates over the last two years. After receiving proposals, the BET may determine that additional, supporting information on employee attrition is warranted and may request such from the Contractors and/or Employee Teams.”

Recommendation #5

“The Contractor shall, at all times during the term of the contract, offer to its employees and their dependents continuous medical, dental, and vision insurance that is evaluated by City Finance (or its designated expert evaluator) to be generally comparable to that provided by the City to its employees in terms of services covered, access to those services, and cost. The union(s) representing the affected employees may also participate in this review, if they so desire. At the time that the RFP is released, the City shall make available to the Contractors all information necessary to understand the City’s existing insurance plans as pertaining to the affected City employees.

Benefits insurance coverage offered by the Contract[or] will be submitted with the Contractor's proposal and evaluated as part of the total compensation package (including wages) and will be compared to the current compensation package offered by the City. The RFP may require that the Contractor submit the benefits information in a table or other format that allows for ease of understanding and comparison.”

Recommendation #6

“The contractor shall be required to provide information on what coverage, if any, they provide for the following benefits. The evidence that the contractor provides shall include a description of the conditions under which the contractor’s employees are able to make use of the benefits.

- Pension/retirement plan;
- Workers’ compensation insurance;
- Unemployment insurance;
- Vacation benefits;
- Short-term disability or sick leave benefits;
- Life insurance; and
- Long-term disability insurance.”

Recommendation #7

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“The contractor shall follow and remain in compliance with all federal, state, and local work safety laws, rules, and regulations for the duration of the contract. The City reserves the right to reject any proposal solely on the basis of the bidder’s safety performance record.

The RFP shall require that Contractors and Employee Teams submit general information concerning the safety programs and policies applicable to the scope of services included in the RFP. Additional, supporting information, including details on specific procedures or Material Safety Data Sheets for products used in the provision of the service, may be requested by the BET as the proposals are further evaluated if the BET determines that the information initially provided with the proposals is insufficient to assess the Contractor’s and/or Employee Team’s safety record and procedures. The name of the person(s) responsible for employee safety shall be included. Nothing in this specified policy shall in any way restrict the City’s ability to secure the information needed to ensure that the competing Contractors and Employee Team propose to perform the scope of services in a manner that protects the welfare and safety of citizens and employees.

If any OSHA, federal, state, or local safety investigation personnel have inspected the firm within the past two years, a copy of that report shall also be included with the bid submission. Any awards for safety, or citations for safety violations, shall be noted in the proposal. Bidders are also required to provide a listing of all OSHA reportable employee injuries within the past two years and a listing of all members of the general public injured by employees while they were performing their duties for the company within the past two years. These listings shall briefly describe the incident, the type and extent of the injury, an indication if the injury was reported to any federal, state, or local safety organization, and any corrective action taken by the vendor to prevent similar accidents.”

City of Cincinnati



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David C. Crowley
Member of Council
City of Cincinnati

200205982

COMMITTEES

Committee on Standing Committees
Chair

Community Development &
Intergovernmental Affairs
Vice Chair

Finance
Member

Health, Social &
Children Services,
Small Business Development
Employment & Training
Member

Neighborhood and
Public Services
Member

November 20, 2002

Motion

WE MOVE that the City Manager report to Council on the process and guidelines that are being used to implement the managed competition process, in the four specific areas, that Council agreed to pursue on December 19, 2001.

WE FURTHER MOVE that this report be presented to the Finance Committee on Monday November 25, 2002.

Statement

Last year Council agreed to pursue a managed competition process in four specific areas (street sweeping, Convention Center operation, fuel management and computing and telecommunications services) with the understanding that fair and equitable guidelines, with input from City employees affected and the City administration, would be developed and followed. As we approach the time when these services are being put out to bid it is important that Council be updated on the process and guidelines that are being used. This process is to include guidelines that ensure the rights of the affected City workers are protected, and that City workers enjoy a full opportunity to compete.

City employees have risen to the occasion, indicating their belief that they could be competitive so long as the process is fair and equitable. In a show of good faith, they have constructively participated with the City administration in the process of developing guidelines.

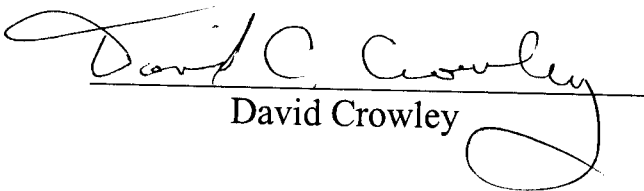
In May of this year the City Manager's Task Force on Managed Competition developed a list of guidelines that should be followed when any of the identified services are put out to bid. In August another list of guidelines, developed by the CGS Consulting Company, was provided to the City Manager. These two sets of guidelines included important steps such as:

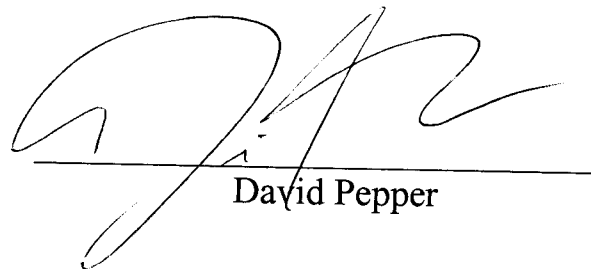


Equal Opportunity Employer

1. The transfer of affected City employees to other vacant funded City positions.
2. Affected City employees will be given training and technical assistance thus enhancing their opportunity to make a competitive bid.
3. An identification of job openings that the prospective contractor will be offered to affected City employees.
4. Any lay offs will be in accordance with the existing union agreement and personnel policies of the City.
5. Any RFP's will require bidding contractors to provide detailed information on employee compensation programs, including all wage rate information for all positions performing duties associated with the contracted service and that this information will be compared to the compensation currently provided to City employees.
6. That there be a comparison of employee health benefits the city provides versus a prospective contractor.
7. Any prospective contractor is required to report on employee benefits such as pension/retirement plan, workers' compensation insurance, unemployment insurance, vacation benefits, short term and long term disability or sick leave benefits.
8. That a contractor will follow and remain in compliance with all federal, state, and local work safety laws and regulations.

Have these guidelines been formally approved by the administration? Which guidelines are being followed? Are they being followed in the RFP's that are about to go out for bid? As we enter in the managed competition process, Council needs assurance that we are doing so in a fair and equitable manner.


David Crowley


David Pepper

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Approved Staffing Plan Changes

	Change in General Fund		Other Funds		Total Change	
	2002- 2003	2003- 2004	2002- 2003	2003- 2004	2002- 2003	2003- 2004
City Council						
Office of the Mayor						
Clerk of Council						
City Manager	-23.0		-12.3		-35.3	
Buildings & Inspections	-6.0				-6.0	
Citizens' Complaint Auth.	-0.3				-0.3	
City Planning	-20.5		-5.0		-25.5	
Community Devel. & Plng.	13.6		11.1		24.7	
Economic Development						
Enterprise Services	-36.0		-29.8		-65.8	
Finance	-6.0		-5.0		-11.0	
Fire	6.8	4.8			6.8	4.8
General Services						
Health	-12.8	-10.0	16.9		4.1	-10.0
Human Resources	-3.0		3.0			
Law	-4.8		0.5		-4.3	
Neighborhood Services						
Parks	-3.2	-13.8	6.6	-5.6	3.4	-19.4
Police	44.8	19.8	-2.0		42.8	19.8
Public Services	-42.0		45.0		3.0	
Recreation	-16.6		4.0		-12.6	
Regional Computer Ctr.			-2.8		-2.8	
Safety Director						
Sewers			-28.0		-28.0	
Transportation and Eng.	-6.0		27.5		21.5	
Water Works			11.1	-5.0	11.1	-5.0
	-115.0	0.8	40.8	-10.6	-74.2	-9.8

Approved Staffing Plan

	General Fund				Other Funds				All Funds			
	2001	2002	2003	2004	2001	2002	2003	2004	2001	2002	2003	2004
City Council	28.0	27.0	27.0	27.0					28.0	27.0	27.0	27.0
Office of the Mayor	5.0	6.0	6.0	6.0					5.0	6.0	6.0	6.0
Clerk of Council	7.0	7.0	7.0	7.0					7.0	7.0	7.0	7.0
City Manager	42.1	38.0	15.0	15.0	15.8	16.4	4.0	4.0	57.9	54.4	19.0	19.0
Buildings & Inspections	111.1	107.1	101.1	101.1	0.9	0.9	0.9	0.9	112.0	108.0	102.0	102.0
Citizens' Complaint Auth.	10.0	10.0	9.7	9.7					10.0	10.0	9.7	9.7
City Planning	20.5	20.5			6.0	5.0			26.5	25.5		
Community Devel. & Plng.		37.5	51.1	51.1		25.0	36.1	36.1		62.5	87.2	87.2
Economic Development	21.5								21.5			
Enterprise Services							237.2	237.2			237.2	237.2
Finance	141.0	135.0	129.0	129.0	54.2	55.0	50.0	50.0	195.2	190.0	179.0	179.0
Fire	842.5	842.0	848.8	853.6					842.5	842.0	848.8	853.6
General Services	50.0	36.0			277.5	266.9			327.5	302.9		
Health	378.6	370.2	357.4	347.4	166.0	170.2	187.1	187.1	544.6	540.4	544.5	534.5
Human Resources	34.2	34.2	31.2	31.2	3.0	3.0	6.0	6.0	37.2	37.2	37.2	37.2
Law	79.0	77.0	72.2	72.2	6.5	6.5	7.0	7.0	85.5	83.5	79.2	79.2
Neighborhood Services	20.5				26.0				46.5			
Parks	114.3	107.5	104.3	90.5	43.8	43.8	50.4	44.8	158.1	151.3	154.7	135.3
Police	1,337.4	1,332.4	1,377.2	1,397.0	2.0	2.0			1,339.4	1,334.4	1,377.2	1,397.0
Public Services	326.5	300.5	258.5	258.5	220.9	244.9	289.9	289.9	547.4	545.4	548.4	548.4
Recreation	370.4	363.8	347.2	347.2	93.1	102.5	106.5	106.5	463.5	466.3	453.7	453.7
Regional Computer Ctr.					202.8	203.8	201.0	201.0	202.8	203.8	201.0	201.0
Safety Director	6.5								6.5			
Sewers					753.0	752.0	724.0	724.0	753.0	752.0	724.0	724.0
Transportation and Eng.	93.0	92.0	86.0	86.0	71.0	83.5	111.0	111.0	164.0	175.5	197.0	197.0
Water Works					634.8	634.8	645.9	640.9	634.8	634.8	645.9	640.9
TOTAL	4,039.1	3,943.7	3,828.7	3,829.5	2,577.3	2,616.2	2,657.0	2,646.4	6,616.4	6,559.9	6,485.7	6,475.9
Police Sworn	1,000.0	1,000.0	1,045.0	1,060.0					1,000.0	1,000.0	1,045.0	1,060.0
Fire Sworn	787.0	787.0	787.0	787.0					787.0	787.0	787.0	787.0
Non-Sworn	2,252.1	2,156.7	1,996.7	1,982.5	2,577.3	2,616.2	2,657.0	2,646.4	4,829.4	4,772.9	4,653.7	4,628.9



City of Cincinnati

Date: December 11, 2002

To: Mayor and Members of Council

From: Valerie A. Lemmie, City Manager

Copies to: Mr. Riordan, Mr. Young

Subject: City Reorganization Plan

I am pleased to present to you my reorganization plan for the City of Cincinnati. These recommendations address structural and strategic issues that will increase the effectiveness, efficiency, and responsiveness of government. Through the transfer and consolidation of various agencies, the organization will be better positioned to respond to increased service demands and council priorities. Highlights of the plan include:

- Increased responsiveness to service delivery challenges both internally and externally
- Realignment of divisions and agencies of the City Manager's Office to more compatible departments
- The creation of an Office of Economic Development that will focus on business and job creation, retention, and expansion of significantly sized employers and downtown developers
- Reorganization of the City Manager's Office which includes the lateral reclassification of the Deputy City Manager's position, addition of an Assistant City Manager for Operations and the creation of a Public Information Officer
- Reduction in personnel expenditures and savings to the General Fund

These recommendations were developed within the context of the 2003-2004 biennial budget and as such, represents expenditure and position reductions while increasing organizational effectiveness through the strategic realignment of agencies and divisions across the organization. The reorganization plan accomplishes a total personnel expenditure savings of \$1,312,000.

Attached is a detailed explanation of the organizational changes recommended, a revised table of organization, and our expected personnel savings as a result of the changes. Finally, the appropriate ordinances and related legislation will be submitted to Council as a part of the budget deliberations and approval processes.

VAL/RMY
Attachment

City of Cincinnati 2003 Table of Organization

Organizational Changes

- **Office of Contract Compliance and Administrative Hearings (OAH)** – The OAH and Contract Compliance consists of three functions: Equal Employment Office (EEO), OAH, and Contract Compliance. The reorganization plan involves moving the EEO function to Human Resources, OAH to Law, and Contract Compliance to the Department of Finance (Division of Purchasing). This move places similar or complimentary functions in compatible departments.
- **Regional Computing Center** – The RCC is proposed to become a new department as opposed to a division within a department. This proposal is cost neutral, as it will involve no increases in salary and no additional staff as a result of the change. The elevation of RCC as a department will reaffirm our commitment to technology and allow the organization to focus on the maximization and utilization of technology as tools to enhance the effectiveness and efficiency of service delivery and business systems. (Staff will still pursue opportunities for Managed Competition in the technology area as directed by Council).
- **Division of Facilities Management** – This division is proposed to become a division within the Department of Public Services. The proposal is cost neutral and aligns to the mission of Public Services as it involves the maintenance of public space.
- **Office of Environmental Management (OEM)** - OEM consists of four functional areas: Air Quality, Environmental Compliance, Employee Safety, and Solid Waste Planning. Employee Safety will be transferred to the Human Resources Department. Environmental Compliance functions will move to the Health Department. The Air Quality and Solid Waste Planning functions of OEM will be eliminated, as they are duplicative in other government's service delivery responsibilities and internal functions in the organization. Staffing for the Environmental Advisory Board will continue.
- **Employment and Training Division (ETD)** – ETD is proposed to move to the Department of Community Development as a separate division which will align our workforce development strategy with our neighborhood and business development strategies.
- **Internal Audit** – Internal Audit will become a function of the Finance Department and, as such, will focus on management systems improvement, performance measurement, and service accountability.
- **Transportation and Engineering/ Public Services** - Professional, technical, and support staff from the Department of Public Services' Traffic and Road Operations Section would be transferred to the Department of Transportation and Engineering. This change will strategically align the planning and design functions of the transportation and street

network into the same department. This organizational change will be cost neutral as it transfers employees from one department to the other.

- **Department of Enterprise Services** – This Department is proposed to be renamed from the Department of General Services and include the functions of Fleet Management, Parking Facilities, the Convention Center, and any managed competition services. The department will be lead by the Assistant City Manager for Enterprise Services.
- **Department of Community Development (DCD)/City Planning** – The statutorily required functions of the Division of Land Use Management in the current City Planning Department that include zoning support, plan board support, historic conservation board support, and subdivision planning would transfer to the DCD. The other functions of City Planning, which include Community and Strategic Planning, would be eliminated.
- **Office of Economic Development** – The Economic Development functions which will support downtown, commercial, industrial, and significant retail development will be removed from the Department of Community Development and become an office of the City Manager and report directly to the City Manager. While DCD will still have a significant part in the overall economic and housing development strategy, this new office will focus on maximizing retention and development/redevelopment opportunities for large employers, significantly sized downtown businesses and commercial/industrial interests.

City Manager's Office Changes

The changes proposed to the City Manager's Office provide for a clearer and more coordinated approach to the management of line service agencies, support agencies, and provide for a stronger level of accountability to City Council and its Committee's.

- **Assistant City Manager for Administration** – This position will be responsible for providing leadership, oversight, and coordination to support and staff agencies, as well as coordinating information for the council committees and council calendar.
- **Assistant City Manager for Enterprise Services** – This position is proposed to be laterally reclassified from a Deputy City Manager to an Assistant City Manager. The position will be responsible for providing leadership, oversight, and coordination of the activities of the managed competition services, the Convention Center, and intergovernmental relations activities.
- **Assistant City Manager for Operations** – This position will provide leadership and oversight to line service agencies and will also coordinate and serve as liaison to the Board and Commission agencies (i.e. Parks, Health, Recreation).
- **Public Information Officer** – The Public Information Officer will be classified as an Assistant to the City Manager. The Public Information Officer (PIO) will report directly to the City Manager and be responsible for all media relations, media inquiries, and the public relations and marketing strategy of the City organization. Additionally, the PIO

will supervise and coordinate the functions of the Citicable Office and will integrate Citicable in the overall marketing program of the City organization.

Cost Savings for City of Cincinnati Organizational Realignment

Eliminate Air Quality and Solid Waste Planning functions of OEM. Transfer Employee Safety function to Human Resources Department.	\$294,000
Transfer Employment and Training Division to Community Development. (Fill Director's position with existing staff, fund additional ETD general fund position with DCD grants funds.)	\$10,000
Eliminate Assistant to the City Manager position and Administrative Specialist position through transfer of OAH responsibilities to the Solicitor's Office, EEO to Human Resources, and Contract Compliance to the Purchasing Division.	\$398,000
Merge City Planning with the Department of Community Development. The Land Use Management section would transfer to DCD, while the Strategic Planning section would be eliminated.	\$610,000
TOTAL GENERAL FUND SAVINGS:	\$1,312,000

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GLOSSARY OF TERMS



AGENCY: An organizational entity of the City of Cincinnati. Usually it relates to a Department of the City (such as the Department of Police, or Public Services, etc.). It may also relate to a subordinate division of a Department, such as an operating Division.

APPROPRIATION: Legislation by the City Council approving the budgets for individual funds. Appropriation ordinances authorize spending in the personnel services, non-personnel services, employee benefits, equipment accounts, debt service, and capital categories. Departments cannot spend more money than is approved in these categories. Appropriations can only be adjusted by passage of a subsequent ordinance by the City Council upon recommendation by the City Manager.

BDS: See Budget Development System.

BIENNIAL BUDGET: A budget for a two-year period. The City of Cincinnati's biennial schedule was initiated in 1993. The biennial budget cycle is 2001/2002, 2003/2004, and so on.

BOND: A long-term promissory debt obligation issued in order to generate financing for the construction, rehabilitation, or upgrade of City assets. The sale of bonds is the primary method of financing a capital program.

BUDGET DEVELOPMENT SYSTEM (BDS): An automated system used to prepare the biennial Operating Budget and related reports. This system is similar to the Capital Budget System (CBS) used to prepare the City's Capital Budget. It is supported by the Cincinnati Financial System (CFS).

CAPITAL BUDGET COMMITTEE: A committee comprised of the Deputy City Manager, Assistant City Manager, and the department heads of City Planning, General Services, Community Development, Finance, Parks, Recreation, Transportation & Engineering, and Water Works. This committee meets with representatives from all City agencies, reviews analyses of Capital requests, and recommends a balanced Capital Budget to the City Manager for presentation to the City Council.

CAPITAL INVESTMENT PROGRAM (CIP): The six-year plan for capital investment in Cincinnati's future through improving City streets, bridges, recreation facilities, parks, health facilities and buildings, and other capital assets, all of which enhance the delivery of services. It coordinates the financing and timing of improvements to maximize their value to the public.

CAPITAL OUTLAY: **Expenditure** category for the cost of equipment, vehicles and other fixed assets (major object code 7600 in the Cincinnati Financial System).

CARRYOVER BALANCE: The net balance in a fund at the end of the fiscal year due to savings (when total expenditures and encumbrances are less than the appropriations), canceled encumbrances (when a contract is completed for less cost than the encumbered amount or not needed at all), or revenues in excess of estimates for that year.

CDBG: See Community Development Block Grant.

CINCINNATI FINANCIAL SYSTEM (CFS): An automated system to process financial transactions and prepare related reports. This system supports the Budget Development System (BDS).

Appendices



CINCINNATI NEIGHBORHOOD ACTION STRATEGY (CNAS): City staff serves on interdepartmental teams to work with neighborhoods to identify their assets and concerns. CNAS is a partnership with neighborhood residents to develop actions to address those concerns. CNAS teams began in five pilot neighborhoods in 1995 and are now in all 52 City neighborhoods.

CIP: See Capital Investment Program.

COMMUNITY DEVELOPMENT BLOCK GRANT (CDBG): The Federal grant which supports housing, economic development, health and human services, and planning and administration.

CONSOLIDATED PLAN: The U.S. Department of Housing and Urban Development requires the submission of a consolidated plan for the following Federal entitlement grant programs: Community Development Block Grant, HOME Investment Partnerships Program, Emergency Shelter Grants, and HOPWA. The plan also provides the framework for competitive grant applications for other housing and community development programs.

CONTINUATION SERVICES BUDGET: A budget in which the City provides nearly the same level of services which were provided in the previous year.

CONTRACT AGENCIES: The City contracts with some agencies to provide services, such as the Citizens' Committee on Youth (CCY), the Cincinnati Human Relations Commission (CHRC), and the Southwest Ohio Regional Transit Authority (SORTA). These entities are not City departments, nor do City employees operate them, but the services are paid for in part by City funds and grants received from the City.

DEBT SERVICE: Scheduled payment of the interest and principal to bond holders which is necessary to retire bond indebtedness.

DEPARTMENT: A basic organizational unit of government which may be sub-divided into divisions, programs, and activities.

EBC: See Executive Budget Committee.

EMERGENCY SHELTER GRANT: Federal funds to provide capital and operating support for emergency shelters and transitional housing for the homeless.

EMPLOYEE BENEFITS: City-contributed costs for pension and other benefits for City employees. Other benefits include health care, unemployment compensation, vision and dental care, deferred compensation, and the Public Employees Assistance Program (PEAP).

ENCUMBRANCE: An amount of money committed for the payment of goods or services ordered but not yet received.

ENTERPRISE FUNDS: A type of restricted fund which is used to account for the expenditures and revenues of enterprise operations such as the City's Water Works Department and Parking Facilities Division. Enterprise funds are self-supporting from the sale of goods and services.

Appendices



EQUIPMENT ACCOUNTS: Expenditure categories for “Motorized and Construction Equipment” (MCEA) and “Office and Technical Equipment” accounts (OTEA). MCEA is used for purchases of autos, trucks, backhoes, etc. OTEA is for desks, office partitions, calculators, etc.

EXCEPTION REQUEST: Programs and/or items which are not included in the base requested or recommended budget. These include new program proposals or extraordinary increases which could not be included in the budget target.

EXECUTIVE BUDGET COMMITTEE (EBC): The members of this committee are the City Manager, the Deputy City Manager, the Assistant City Manager, the Director of Finance, and the Manager of Budget and Evaluation. The EBC is the City Manager’s administration team to develop budget and policy recommendations to the City Council.

EXPENDITURE: The cost for the personnel, materials, and equipment required for a department to function.

FISCAL YEAR (FY): Cincinnati’s fiscal year runs from January 1 through December 31.

FTE: See Full-Time Equivalent below.

FULL-TIME EQUIVALENT (FTE): FTE is a measure of a position by its budgeted hours. For example, 1 FTE equals 2088 hours and .75 FTE equals 1566 hours.

FUND: A fiscal and accounting entity with a self-balancing set of accounts to record revenue and expenditures.

FUND ACCOUNTING: Accounting method of providing information on City receipts and disbursements in separate categories or “funds”. Governments use fund accounting to segregate sources of revenue and the purposes for which they are to be used. For instance, Water Works Fund 101 only receives funds generated from water charges and only expends funds related to water system activities.

GENERAL FUND: This fund accounts for the current assets, current liabilities, revenues, and expenditures that arise from general government operations. The main revenue sources of this fund are income and property taxes.

HOME: HOME Investment Partnerships Program. A Federal grant program to provide housing for low-income persons.

HOUSING OPPORTUNITIES FOR PERSONS WITH AIDS (HOPWA): A Federal grant program to provide housing for persons with AIDS.

INFRASTRUCTURE: Long-lived assets such as highways, bridges, buildings, and public utilities. A primary funding source for infrastructure maintenance is provided by a tax of one tenth of one percent on earned income, which was approved by voters in 1988. It is legally mandated that collection of this additional tax is subject to the City spending 90% of a base amount within three years. The base amount is calculated by an established formula. This budget and expenditures requirement to continue the 0.1% income tax is referred to as the “infrastructure mandate.”

Appendices



INTERDEPARTMENTAL CHARGES: Accounts for the reimbursement of the cost of services provided to departments by other departments. For example, the Reproduction Services program might process an interdepartmental bill (I.D. bill) to charge the Recreation Department for printing a brochure.

INTERNAL SERVICE FUNDS: A type of restricted fund used to finance and account for goods and services provided in-house by a City Department, such as the Fleet Services Fund.

NON-PERSONNEL SERVICES: Operating expenditure category for non-salary related items, such as office supplies, office space rental, contracts, computer costs, gasoline, etc. (major object code series 7200-7300-7400 in the Cincinnati Financial System).

OPERATING BUDGET: The budget which encompasses day-to-day municipal activities. The Operating Budget includes employee salaries, supplies, and other non-personnel items related to current activities. The Operating Budget also includes debt service and overhead costs for these operations.

PERSONNEL SERVICES: Expenditure category for the cost of employee salaries and compensated absences such as vacations and sick leave (major object code 7100 in the Cincinnati Financial System).

PRIOR YEAR ENCUMBRANCES: Obligations from previous fiscal years in the form of purchase orders, contracts, or salary commitments which are chargeable to an appropriation and for which a part of that annual appropriation has been reserved. They cease to be encumbrances when the obligations are paid or otherwise terminated.

PROGRAM: A group of similar activities, or a type of service, which is organized as a sub-unit of a department for planning and performance measurement purposes.

RESERVE FOR CONTINGENCIES: An appropriation which is set aside for unanticipated or potential expense items that cannot be deferred until the next budget cycle. This is an account routinely appropriated in the General Fund to enable the City Council to adjust the budget during the year without affecting other budgeted services.

RESOURCES: Total dollars available for budget purposes including revenues, fund transfers, and beginning fund balances.

RESTRICTED FUNDS: Funds restricted to a specific purpose, such as Parking, Lunken Airport, and Municipal Golf Funds.

REVENUES: The annual income or receipts of the City from taxes, charges, and investments.

SPECIAL ORGANIZATIONAL REPORTING AUTHORITIES: Agencies of the City which include its various Boards and Commissions, as well as contract agencies and county-wide departments.

STAFFING LEVELS: Estimated number of FTE needed to perform the work at a stated level of service.

TRANSIT OCCUPANCY TAX: The City's 4% tax levied on all rents received by a hotel for lodging furnished to transient guests. Tax receipts are dedicated to financing the operating and maintenance costs of the City's convention center, and, beginning in 2003, to help finance the expansion of the convention center.

Appendices



TRUST FUND: A fund to account for assets in which the City acts in a trustee capacity or as an agent for other governmental units. The Metropolitan Sewer District (owned by the County but operated by the City) and Pension Trust are examples of trust funds.

UNAPPROPRIATED SURPLUS: The amount of money in a fund not appropriated by the City Council. The balance remains in the fund until the City Council approves spending by passing an appropriation ordinance.

USER CHARGES/FEES: The payment of a fee for direct receipt of a public service by the party benefiting from the service.

WORKING CAPITAL RESERVE: Monies which are set aside to provide a reserve in case of a disaster or fiscal emergency. The policy of the City Council is to maintain a balance in the Working Capital Reserve Fund between 5 and 8 percent of General Fund revenues in each year.

Measurement Focus, Basis of Accounting and Basis of Presentation

The financial statements of the City of Cincinnati for 2001 are prepared in accordance with standards promulgated by the Governmental Accounting Standards Board (GASB). These standards include the effective pronouncements of the National Council on Governmental Accounting and the American Institute of Certified Public Accountants which are considered to be "generally accepted accounting principles" for state and local entities, until they are altered, amended, supplemented, revoked or superseded by a subsequent GASB pronouncement. For Proprietary Funds, the City has elected only to apply Financial Accounting Standards Board (FASB) pronouncements issued on or before November 30, 1989 that do not conflict with or contradict GASB pronouncements.

Fund and Account Groups

The City records its transactions in numerous individual funds and account groups to comply with the limitations and restrictions placed on both the resources made available to the City and the services provided. These financial statements present all of the fund types and account groups of the City. Individual funds and account groups summarized in the accompanying financial statements are classified as follows:

1) Governmental Fund Types

Governmental funds are segregations of financial resources where the measurement focus is upon determination of financial position and changes in that financial position. The City operates within a biennial budget which is authorized by City Council through annual appropriations. The City's records show that revenues, actual and accrued expenditures, and encumbrances comply with legal, accounting and budgetary restrictions.

The governmental fund types include:

General Fund - This is the primary operating fund for the City. It is used to account for all revenues and expenditures which are not accounted for in other funds or account groups.

Special Revenue Funds - These funds account for the proceeds of specific revenue sources (other than funds for major capital projects) that are legally restricted to expenditures for specific purposes.

Debt Service Fund - This fund is used to account for principal and interest on general obligation bonds paid principally from taxes levied by the City. It also accounts for the servicing of general obligation self-supporting bonds and for capital lease payments of governmental funds.

Capital Project Funds - These funds are used primarily to account for resources designated to construct or acquire general fixed assets. Such resources are derived principally from proceeds of general obligation debt, federal and state grants and City income tax (see Note 11). It is the City's policy to use the proceeds derived from the sale of bonds only for the capital improvement purpose detailed in the bond authorizing ordinance and in accordance with state statutes. Any premium and accrued interest received from the sale of bonds is deposited into the Debt Service Fund.

2) Proprietary Funds

Enterprise Funds - These funds account for operations of entities that provide services, on a user charge or other basis, to the general public or private organizations.

Internal Service Funds - These funds were established to account for the purchase and sale of goods or

services between City departments or agencies on a cost-reimbursement basis.

The measurement focus is on income determination or cost of services. All assets and liabilities are included on the balance sheet, and the reported fund equity is an indication of the economic net worth of the funds involved.

3) Fiduciary Fund Types

Trust and Agency Funds - These funds are used to account for assets held by the City in a fiduciary capacity. These funds include expendable and nonexpendable trust funds, a pension trust fund, an external investment pool and agency funds. Fixed assets are stated at historical cost, and depreciation is determined using the straight-line method over the assets' estimated useful lives (5-40 years).

4) Fixed Assets

General Fixed Assets - Fixed assets acquired or constructed for general governmental services are recorded as expenditures in the fund making the expenditure and capitalized in the general fixed assets account group. These assets are capitalized at historical cost, or estimated values which approximate historical cost. Contributed fixed assets are recorded at estimated fair value at the time of acquisition. Construction in Progress includes uncompleted infrastructure improvements; however, the cost of completed infrastructure improvements is not included in the general fixed assets account group. Accumulated depreciation is not reported on general fixed assets.

Proprietary Fund Types - Fixed assets in the proprietary funds are stated at historical cost (estimated fair market value at time of acquisition for assets contributed). Depreciation is calculated using the straight-line method over the assets' estimated useful lives. The following lives are used:

Water Mains	100 years
Buildings and Improvements	25-70 years
Machinery and Equipment	5-40 years
Automotive Equipment	3 years

All fixed assets under construction and intended for ultimate use by a proprietary fund are recorded at historical cost in the applicable proprietary funds.

5) General Long-Term Obligations

All unmatured long-term indebtedness other than that directly related to and expected to be paid from proprietary or fiduciary funds is reported in the general long-term obligations account group. The general obligation bonds are secured by the full faith and credit of the City. In addition to the unmatured general long-term indebtedness, it is the City's policy to record long-term liabilities of the governmental funds for certain compensated absences, non-current obligations under capital leases, and estimated claims and judgments representing the City's commitment to fund such costs from future operations.

The financial statements included herein show the amount available in the Debt Service Fund for debt payment and the amount that must be provided in future years for debt redemption and other long-term liabilities.

Measurement Focus

The governmental fund types utilize the flow of financial resources measurement focus and modified

accrual basis of accounting, with recognition of revenues in the accounting period in which they become measurable and available.

Income taxes, delinquent property taxes, liquor permits, fines, local government fund, gasoline tax, and motor

vehicle license fees for the current and prior periods are determined to be susceptible to accrual and are recognized as revenue in the current accounting period. All other major revenues of governmental funds are determined not to meet the criteria of either being measurable or available. Available means they are collectible within the current reporting period or soon enough thereafter (60 days) to pay current liabilities. Expenditures are recognized when the fund liability is incurred except for (1) inventories of materials and supplies that may be considered expenditures either when purchased or when used, and (2) prepaid expense items that may be considered expenditures either when paid for or when consumed. Encumbrances are commitments related to unperformed (executory) contracts for goods and services. All encumbrances that are outstanding at year-end are reported as reservations of fund balance for subsequent year expenditures and are not considered either expenditures or liabilities in the current period.

The proprietary fund type statements are prepared utilizing the flow of economic resources measurement focus and the accrual basis of accounting for revenues, which are recognized when they are earned, and for expenses, which are recognized when they are incurred. Unbilled service receivables are recognized by proprietary funds when the services are provided.

The fiduciary fund types recognize revenue and expenditures/expenses on a basis consistent with the fund's accounting measurement objective. Nonexpendable trust funds, the pension trust fund and the external investment pool statements are prepared utilizing the flow of economic resources measurement focus and the accrual basis. Agency fund and expendable trust fund statements are prepared utilizing the flow of financial resources measurement focus and the modified accrual basis.

Budgetary Data

An operating budget is legally adopted each fiscal year for the General Fund and those Special Revenue Funds (i.e. Health Services; Street Construction, Maintenance and Repair; Parking Meter; Cable T.V.; Income Tax Infrastructure; Income Tax Transit; Motor Vehicle License; and Special Recreation) identified as appropriated in the financial statements. Budgetary data for better management control exists over the Nonappropriated Special Revenue Funds. The Combined Statement of Revenue, Expenditures and Changes in Fund Balances Budget (Non-GAAP Budgetary Basis) and Actual does not include those Nonappropriated Special Revenue Funds. The budgetary data reports included within the financial statements are prepared on a cash basis of accounting, with the exception of certain accrued personal service and employee benefit costs. Encumbrances, which do not lapse at year-end, are included as expenditures in the current year budget (Non-GAAP). The budgetary process begins at least six months prior to the calendar year for which the budget is to be adopted, with the City certifying the proposed budget to the County Auditor by July 20. By January 1, City Council may adopt annual or temporary appropriation measures using, in part, the official certificate of estimated resources approved by the County Budget Commission and tax rates certified by the County Auditor. By April 1, City Council must adopt annual appropriation ordinances. Only unencumbered appropriations lapse at year end.

The levels of appropriation control for each budgeted expenditure classification that may not be exceeded are: personal services, non-personal services, capital outlay, and debt service. Any revisions that alter the budgeted expenditure classification of any division within a City department must be approved by City Council. During the year, several supplementary appropriations were necessary.

Cincinnati Neighborhood Investment Reserve (\$57.3 million)

Project Description

The Neighborhood Investment Reserve (NIR) is established by City Council to provide gap financing to development projects that promote the stabilization and revitalization of Cincinnati neighborhoods through the assembly of land, construction and rehabilitation of commercial real estate, and development of for-sale and rental housing units.

There are three primary categories of projects: public infrastructure, housing development, and economic vitality or economic competitiveness. These categories are defined as:

Public Infrastructure: Projects that improve the physical infrastructure (e.g., sidewalks, sewers, vacant land or buildings, streetscapes) of a community and are tied to, (1) a specific development or business investment opportunity; (2) crime reduction; (3) quality of life improvements; and/or (4) new or rehabilitated housing units.

Housing Development: Projects that include the development or redevelopment of housing units. Priority will be given to market rate single-family housing projects that promote homeownership.

Economic Vitality or Competitiveness Activities: Projects that (1) enhance the economic investment in and sustainability of Cincinnati neighborhoods; (2) maintain or increase the city's jobs and tax base; (3) involve the acquisition and/or assembly of underutilized land and will bring that land into productive, revenue generating uses; and (4) stabilize communities through a continuum of mixed uses including retail, office and housing that will create a destination location.

Fund Capitalization

Funding and capitalization may be from sources such as Anthem demutualization proceeds, float loans, Section 108 loans, and revenue bond proceeds. Funds are intended to be flexible and serve as gap financing where other private and public capital fails to meet financing needs.

Eligible Uses

- Infrastructure costs, including utilities, streets, streetscapes, and parking areas.
- Fixed-asset financing for real estate development, redevelopment, or reuse where end-use is identified and likely to occur.
- Capitalization of grants or loan programs to fund eligible activities through established intermediary organizations.
- Subsidy to for-profit developers and organizations for job creation, retention and tax base expansion projects.
- Write down the cost of borrowed capital.

Ineligible Uses

- Market studies or other planning or feasibility studies
- Employee or staff training, conferences or workshops
- Administrative or operating expenses
- Working capital

Other Requirements

- Projects must be recommended by the City Manager.
- Loan funds must include maintenance of principle.
- Project applicant, sponsor, and/or developer must be qualified to complete project.
- The applicant and other project stakeholders must have successful track record in previous development ventures.
- Project must have a detailed business/financial plan that supports the project's economic feasibility and details sources and uses of funds, developer equity and return on investment.
- Project has firm commitments, in writing, of other resources being leveraged.
- Project is ready to proceed and time frames for performance are reasonable.
- Project is consistent with city development and redevelopment plans and applicable local, state, and federal laws and regulations.

Funding Requirements and Project Selection Criteria

- Financial Leverage: Developers should have both developer equity and at least a letter of tentative commitment from a financial institution or other funding resource(s) when requesting funding from the NIR. As a gap financing vehicle, NIR funds should not represent the majority of funds in a project.
- Recapture: Projects that demonstrate a potential return in the form of property and/or income and incremental tax increases will be given funding priority. A cost/benefit analysis will be conducted for each project submitted to determine economic benefits as appropriate, a repayment schedule, and/or timeframe for payback through new job creation.
- Scale and Impact: NIR should support projects that have meaningful scale. As such, they should produce measurable and substantive improvements in the development or redevelopment of a neighborhood.
- Workforce Development: When NIR funds are used, the hiring of Cincinnati residents into jobs created, both full and part-time, should be a priority.

Project Categories:

1. Public Infrastructure:

Project assistance should be for projects where public infrastructure expansion, upgrade or new construction, supports a specific end use that will provide economic or housing development investments in neighborhoods. Public infrastructure investments, except for those that involve investment in city-owned property, must leverage other public or private investment.

Eligible Recipients:

For-profit businesses, for-profit and non-profit developers, and community and neighborhood development corporations are eligible to receive funding.

Project Assistance Caps:

- Individual project assistance can be from \$100,000 to \$8,000,000.

Leverage Requirement:

- NIR participation cannot exceed 25% of total project costs.

Other Criteria:

Projects funded under the public infrastructure category must be supported by an analysis of probable end uses.

2. Housing Development

The NIR may be used for the development of new or rehabilitated housing throughout the city. The project should leverage other dollars (private, other public and/or equity) and NIR may be used as a loan or grant. Projects should be supported by or consistent with approved development or neighborhood plans where applicable and the City's Impaction Policy.

Eligible Recipients:

For-profit businesses, for-profit and non-profit developers, and community and neighborhood development corporations are eligible to receive funding.

Project Assistance Caps:

- Individual project assistance from \$100,000 - \$3,000,000.
- Maximum per unit subsidy of \$25,000.
- Developments must be at least 10 units to receive funding.

Leverage Requirements:

- For profit developers must meet or exceed a 2:1 leverage ratio.
- Non-profit developers must meet or exceed a 1.5:1 leverage ratio.

Other Criteria:

Modifications to the criteria above may be made based on projects that involve historic rehabilitation, development of land or real estate owned by the city or other governmental agency, or that meets a specific and stated public purpose.

3. Economic Vitality/Competitiveness Activities

NIR funds should support neighborhood economic development activities that result in job creation, tax base enhancement, business retention or expansion and leverage private sector investment. Competitiveness activities are a special category of Economic Vitality and projects funded under this section should generate quantifiable economic spin-off by making areas “development ready” where a probable end use or reuse is likely. Competitiveness activities should seek to recapture City investment where possible.

Eligible Recipients:

For-profit businesses, for-profit and non-profit developers, community and neighborhood development corporations are eligible for funding.

Project Assistance Caps:

- Individual project assistance from \$100,000 through \$3,000,000.
- Maximum subsidy per job retained or created is \$20,000.

Leverage Requirement:

- Projects must meet or exceed a 2:1 leverage ratio (not required for competitiveness activities).

Other Requirements:

Competitiveness activities should result in economic “spin-off” activities by stimulating additional private sector investment or increasing market demand for businesses in the neighborhood or business district. Competitiveness activities must also have an approved development or reuse plan or market analysis that supports the probability of an end use or reuse.

**City Council Adjustments to the Mayor's 2003 Recommended Operating Budget
General Fund**

Mayor's 2003 Recommended Budget \$312,503,770

Year 2003 Reductions:

Transfer Out Police Budget to Parking Meter Fund 303	(\$271,180)
Reduce Elections Commission Funding from Law	(90,000)
Eliminate Contribution to Sister Cities Association	(20,000)
Eliminate Computer Learning Lab	(161,590)
Eliminate Funding for Three Square Music Foundation	(50,000)
Eliminate Funding for Jobs for Cincinnati Graduates	(31,450)
Eliminate Funding for the Adolescent Health Center	(25,000)
Reduce Funding for Serving Older Adults Through Changing Times	(20,000)
Reduce Funding for the Regional Marketing Partnership	(25,000)
	(\$694,220)

Year 2003 Additions:

Restore Neighborhood Support Program (NSP) Funding	\$271,180
Add Funding for the Convention Visitors Bureau for Multicultural Tourism Marketing	25,000
Poison Information Program of Children's Hospital Medical Center	25,000
Restore Citizens' Committee on Youth (CCY) Funding	75,000
Add Cincinnati Human Relations Commission (CHRC) Funding for Monitors	30,000
Add Funding for Main Street Ventures	100,000
Add Funding for Greater Cincinnati Film Commission	25,000
Add Funding for International Visitors Center	15,000
Inclusion Network, Inc.	10,000
Lighthouse Youth Services, Inc., Youth Development	20,000
Mercy Connections	16,450
Santa Maria Community Services	15,000
Mallory Center, Computer COP Program	15,000
Center for Comprehensive Alcoholism Treatment	10,000
Inner City Youth Opportunities	10,000
YWCA of Greater Cincinnati, Strong Girls/Healthy Girls	10,000
Talbert House, Halfway Houses	10,000
Free Store/Food Bank, Inc.	10,000

Total Additions \$692,630

Year 2003 Net Reduction (\$1,590)

GENERAL FUND 050 BUDGET \$312,502,180

Note: In addition to the administration's reorganization efforts, the City Council approved the transfer of the Contract Compliance budget of \$314,310 from the Finance Department to the Community Development and Planning Department.

**City Council Adjustments to the Mayor's 2003 Recommended Operating Budget
Restricted Funds**

Mayor's 2003 Recommended Budget	\$408,827,400
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Income Tax-Infrastructure Fund 302

Restore Parks Maintenance	228,250
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Parking Meter Fund 303

Transfer in Police Budget to Provide General Fund Resources for NSP	271,180
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Metropolitan Sewer District Fund 701

Increase Approved by the Board of Hamilton County Commissioners	1,979,440
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Citizen Safety Fund 377

Addition for the Neighborhood Safety Program	1,000,000
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Year 2003 Additions to Restricted Funds	<u>\$3,478,870</u>
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RESTRICTED FUNDS BUDGET	\$412,306,270
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City Council Adjustments to the Mayor's 2003-2004 Recommended General Capital Budget

Project	2003 Recommended	2003 Approved	2003 Change	2004 Recommended	2004 Approved	2004 Change
Total 2003 Recommended General Capital Budget:			<u>\$104,757,000</u>	Total 2004 Recommended General Capital Budget: <u>\$92,807,000</u>		
Neighborhood Market Rate Housing	2,000,000	1,500,000	(500,000)	3,000,000	2,500,000	(500,000)
Neighborhood Investment Reserve	14,600,000	8,500,000	(6,100,000)	12,700,000	13,800,000	1,100,000
Recreation Facilities Renovation	9,650,000	1,650,000	(8,000,000)	7,603,400	8,803,400	1,200,000
Capital Arts Project	1,300,000	2,200,000	900,000	1,300,000	2,200,000	900,000
OTR Multi-Purpose Facility	500,000	0	(500,000)	6,500,000	0	(6,500,000)
Neighborhood Hsg. Redevelopment Loan Fund	0	15,000,000	15,000,000	0	0	0
Mixed Income Capital Redevelopment	0	500,000	500,000	0	500,000	500,000
Total 2003 Approved General Capital Budget:			<u>\$106,057,000</u>	Total 2004 Approved General Capital Budget: <u>\$89,507,000</u>		

Note: There were no changes to the Restrictd Funds Capital Budget.

City Council Adjustments to the Mayor's 2003-2004 Recommended Consolidated Plan Budget

Project	2003	2003	2003	2004	2004	2004	
	Recommended	Approved	Change	Recommended	Approved	Change	
Total 2003 Recommended Consolidated Plan Budget:			\$27,967,480	Total 2004 Recommended Budget:			\$26,413,000
Housing Counseling Services	92,000	0	(92,000)	92,000	0	(92,000)	
EITC Outreach and Financial Literacy	0	50,000	50,000	0	50,000	50,000	
Neighborhood Revitalization	200,000	100,000	(100,000)	200,000	100,000	(100,000)	
Single Family Homesteading	1,000,000	0	(1,000,000)	1,000,000	0	(1,000,000)	
Receivership Program	0	500,000	500,000	0	500,000	500,000	
Avondale Pride Center	0	75,000	75,000	0	0	0	
Drughouse Shutdown Initiative	0	100,000	100,000	0	100,000	100,000	
Clean and Safe Neighborhoods	0	733,000	733,000	0	808,000	808,000	
Central Clinic Renovation	0	125,000	125,000	0	125,000	125,000	
Adult Employment Programs	491,500	100,500	(391,000)	491,500	100,500	(391,000)	
Total 2003 Approved Consolidated Plan Budget:			\$27,967,480	Total 2004 Approved Consolidated Plan Budget:			\$26,413,000

